

City of Rockville Pension Fund

**Analysis of Investment Performance
through June 30, 2009**



**George Kiriakos
Vice President**

August 2009

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August 24, 2009

Board of Trustees
City of Rockville Pension Fund
111 Maryland Avenue
Rockville, MD 20854

Dear Board of Trustees:

This report presents our updated analysis of the City of Rockville Pension Fund's investment performance and traces the growth of assets through June 30, 2009. It is based on data provided to us by your custodian and the various investment managers. The report illustrates the investment performance of the overall Fund and also shows results by asset class and by individual manager in comparison with the various performance benchmarks defined in the Fund's statement of guidelines and objectives.

We hope you find this report useful as a tool for monitoring the performance of the Fund as well as a basis for discussion of the investment issues surrounding the investment program. We look forward to reviewing this report with you and answering any questions you may have.

Sincerely,



George Kiriakos
Vice President

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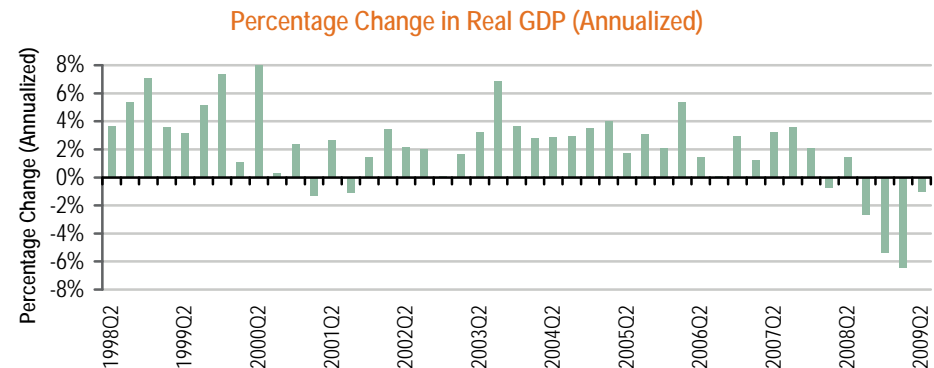
Financial Market Conditions: Review of Second Quarter 2009

The Economy: Key Indicators

Page 1 and page 2 focus on Segal Advisors' commentary on select economic indicators for second quarter (Q2) 2009.

GDP Growth Negative

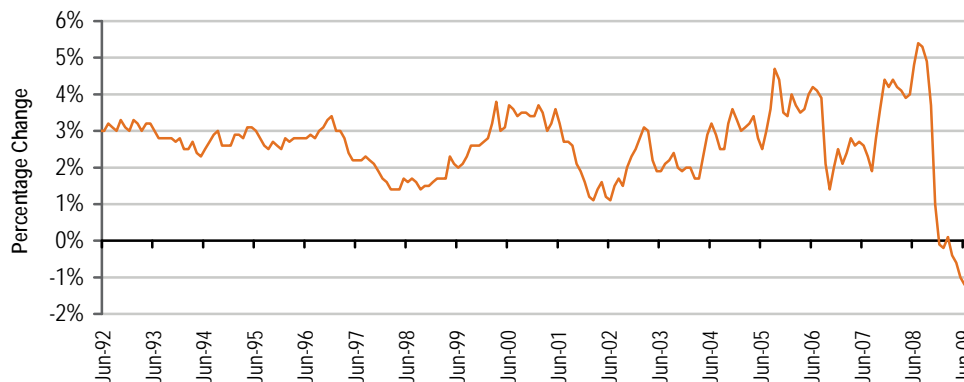
As shown in the adjacent graph, during Q2 2009, Real Gross Domestic Product (GDP) declined at a 1.0 percent annualized rate, which was less than the consensus expectation of a 1.5 percent decline. The rate of contraction slowed significantly compared to the 6.4 percent decline (revised downward) seen in the first quarter; however, on a year-over-year basis, Real GDP was down 3.9 percent, marking the largest decline since World War II. The federal government added 1.1 percentage points to growth, as federal government expenditures and gross investment increased 10.9 percent compared to a decrease of 4.3 percent in the first quarter. In addition, a smaller decline in investment, inventories, and exports also added to GDP. On the contrary, consumer spending subtracted 0.9 of a percentage point as personal consumption expenditures fell at a 1.2 percent annualized rate.



Source: Bureau of Economic Analysis

Inflation

CPI: Percentage Change Year over Year



Source: Bureau of Labor Statistics

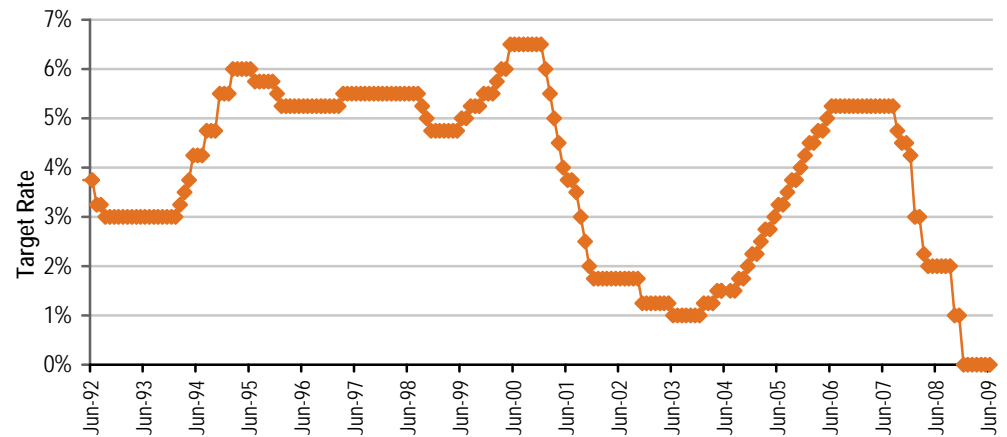
In Q2 2009, the headline consumer price index (CPI) accelerated, increasing by 0.8 percent. Despite the three-month increase, the headline CPI remains 1.2 percent below the June 2008 level on a year-over-year basis. The recent increase in energy prices contributed to the acceleration of headline inflation, as heightened gasoline prices resulted in a 7.4 percent increase in the energy CPI index from May 2009 to June 2009.

The core CPI index, which excludes both food and energy prices, increased by 0.6 percent during Q2 2009 and surpassed the June 2008 level by 1.7 percent. These values indicate that deflationary pressures have eased and that prices are not accelerating enough to present a serious threat of near-term inflation. The adjacent graph shows CPI since June 1992.

Fed Funds Target Rate

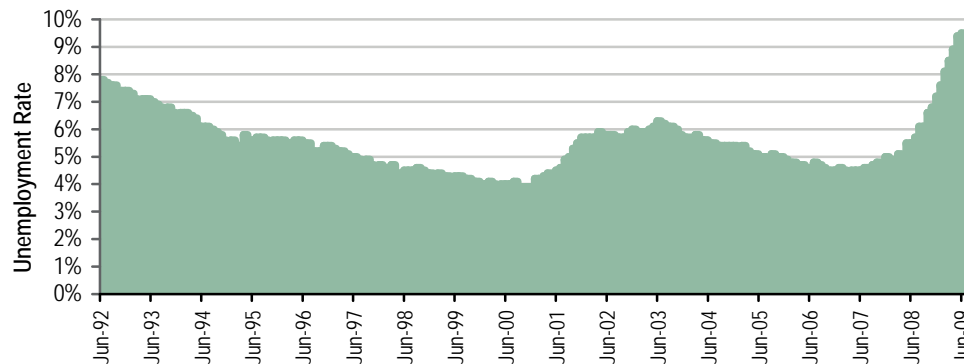
During the June 23-24 FOMC meeting, members agreed to keep the fed funds target rate steady at 0-0.25 percent to counter the deflationary pressures created by the current recession and to maintain liquidity in the market. Although data suggests that the pace of economic contraction is slowing, the FOMC members believe that the economic outlook warrants keeping interest rates at “exceptionally lower levels” for an “extended period.”

The Fed expects the unemployment rate to peak between 9.8 percent and 10.1 percent compared with the previous forecast in April of 9.2 percent to 9.6 percent. As stated last quarter, to provide support to mortgage lending and housing markets and to improve overall conditions in private credit markets, the Federal Reserve will purchase a total of up to \$1.25 trillion of agency mortgage-backed securities and up to \$200 billion of agency debt by the end of the year. In addition, the Federal Reserve is planning to purchase up to \$300 billion of Treasury securities by autumn. The adjacent graph shows the fed funds target rate since June 1992.



Source: Federal Reserve Board

Labor Market Contraction and the Unemployment Rate



Source: Bureau of Labor Statistics

The labor market continued to contract during Q2 2009. The unemployment rate increased slightly to 9.5 percent, the highest rate since 1983. Nonfarm payroll employment declined by 467,000 in June. During the second quarter, job losses averaged 436,000 per month, compared with 691,000 in the first quarter. Since the start of the recession in December 2007, the number of unemployed has increased by 6.5 million, or 4.7 percent, as employers cut payrolls in order to decrease expenses.

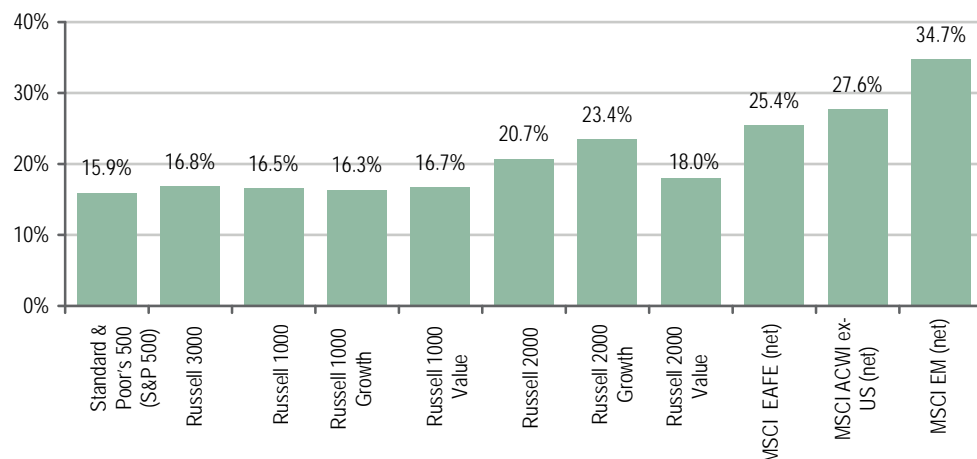
Job losses were experienced across almost every sector of the economy, with the largest declines occurring in manufacturing, professional and business services, and construction. There continued to be gains in the education/healthcare sector. The adjacent graph shows the unemployment rate since June 1992.

Investment Performance: Selected Rates of Return

This page presents rates of return for selected equity, fixed income, and other indices. The graphs illustrate returns for Q2 2009. The tables of data show returns for the latest quarter, year-to-date (YTD), one-, three-, five- and 10-year annualized timeframes. All data in the tables are percentages.

Equity Index Returns

Equity Index Returns: Q2 2009

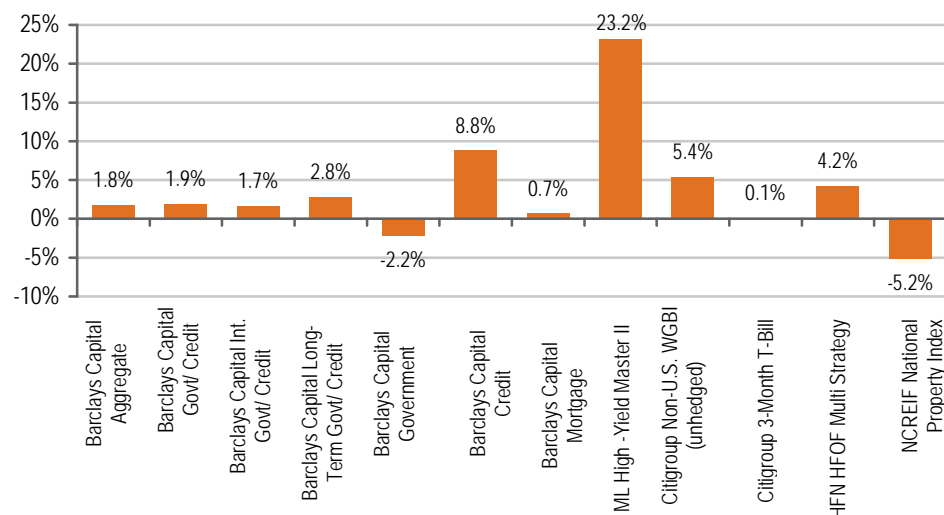


*Index represents the return of the benchmark net of dividends paid on the stocks.

Equity Indices	Quarter	YTD	1-year	3-year	5-year	10-year
Standard & Poor's 500	15.9	3.2	-26.2	-8.2	-2.2	-2.2
Russell 3000	16.8	4.2	-26.6	-8.4	-1.8	-1.5
Russell 1000	16.5	4.3	-26.7	-8.2	-1.9	-1.8
Russell 1000 Growth	16.3	11.5	-24.5	-5.5	-1.8	-4.2
Russell 1000 Value	16.7	-2.9	-29.0	-11.1	-2.1	-0.2
Russell 2000	20.7	2.6	-25.0	-9.9	-1.7	2.4
Russell 2000 Growth	23.4	11.4	-24.9	-7.8	-1.3	-0.9
Russell 2000 Value	18.0	-5.2	-25.2	-12.1	-2.3	5.0
MSCI EAFE (net)*	25.4	8.0	-31.4	-8.0	2.3	1.2
MSCI ACWI ex-U.S. (net)*	27.6	13.9	-30.9	-5.8	4.5	2.5
MSCI EM (net)*	34.7	36.0	-28.1	-3.0	14.7	8.7

Fixed-Income and Other Index Returns

Fixed Income and Other Index Returns: Q2 2009



Fixed Income Indices	Quarter	YTD	1-year	3-year	5-year	10-year
Barclays Capital Aggregate	1.8	1.9	6.1	6.4	5.0	6.0
Barclays Capital Govt/Credit	1.9	0.6	5.3	6.2	4.8	6.0
Barclays Capital Intermediate Govt/Credit	1.7	1.6	5.3	6.1	4.6	5.7
Barclays Capital Long-Term Govt/Credit	2.8	-3.5	5.3	6.4	5.6	6.9
Barclays Capital Government	-2.2	-3.2	6.6	7.3	5.4	6.1
Barclays Capital Credit	8.8	6.9	4.1	4.9	4.1	5.8
Barclays Capital Mortgage	0.7	2.9	9.4	7.9	6.0	6.3
ML High-Yield Master II	23.2	29.4	-3.5	1.8	4.1	4.4
Citigroup Non-U.S. WGBI (unhedged)	5.4	-0.6	3.5	7.9	6.2	6.5
Citigroup 3-Month T-Bill	0.1	0.1	0.8	3.0	3.0	3.1
Other Indices						
HFN HFOF Multi-Strategy	4.2	4.3	-15.5	-1.3	2.4	5.9
NCREIF National Property Index	-5.2	-12.2	-19.6	1.0	7.6	8.5

Investment Performance: Equity Sector and Yield Spread Analysis

This page presents data on sector and spread analysis for Q2 2009 alongside commentary from Segal Advisors.

Equity Sector Analysis

In a sharp reversal from recent quarters, the Financial sector returned 35.7 percent, experiencing the highest quarterly gain of all the sectors in the S&P 500 Index. The sector contributed 3.9 percent to the 15.9 percent total Index gain. Furthermore, all sectors contributed positively to the S&P 500 Index. In addition, seven of the ten sectors experienced double-digit gains, including Financials, Consumer Discretionary, Energy, Industrials, Information Technology, Materials, and Utilities. See the adjacent table.

S&P 500 Sector Performance

	Second Quarter 2009		
	Ending Weight (%)	Return (%)	Contribution (%)
Consumer Discretionary	8.9	18.0	1.7
Consumer Staples	12.0	9.8	1.2
Energy	12.4	10.7	1.4
Financials	13.2	35.7	3.9
Health care	14.3	8.9	1.2
Industrials	9.9	18.9	1.9
Information Technology	18.5	19.8	3.5
Materials	3.2	16.0	0.5
Telecom	3.5	3.5	0.2
Utilities	4.1	10.2	0.4

Source: Standard & Poor's

Option Adjusted Spreads

Option Adjusted Spreads (OAS) in Basis Points (bps)*

	Option Adjusted Spreads		
	12/31/08	3/31/09	6/30/09
U.S. Aggregate Index	213	187	107
U.S. Agency (Non-mortgage) Sector	93	78	41
Mortgage and ABS Sectors:			
• Mortgage-Backed Securities	145	102	36
• Asset-Backed Securities	955	706	344
• CMBS	1010	1049	763
Credit Sectors:			
• U.S. Investment Grade	493	543	275
– Industrial	500	422	244
– Utility	537	440	263
– Financial Institutions	629	769	425
• U.S. High Yield	1669	1514	945

Source: Baird Advisors using Barclays Capital Data

As a reminder, 10 bps equals 0.1 percent.

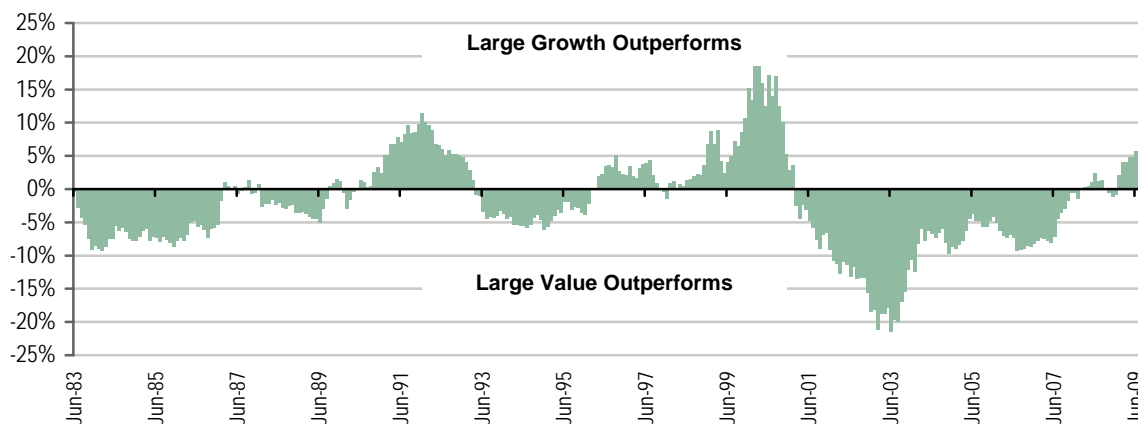
Yield spreads across all non-Treasury sectors tightened sharply during Q2 2009. Government purchases of Agency debentures and Agency mortgage-backed securities in the second quarter contributed to further spread tightening in these sectors by 37 bps and 66 bps, respectively, while liquidity provided by the Term Asset-Backed Securities Loan Facility (TALF) helped ABS spreads to tighten by 362 bps. CMBS spreads ended the quarter at 763 bps, a significant improvement from Q1 2009, due to the TALF and the Public-Private Investment Program (PPIP). Investment grade corporate spreads narrowed overall by 268 bps as investors took on more risk across all sectors including the Financial, Utility, and Industrial sectors. The high yield sector experienced unprecedented spread tightening of 569 bps during the quarter, which led to a return of 23.2 percent for the asset class for the quarter.

Investment Performance: Long-Term Equity Trends

Page 5 and page 6 focus on Segal Advisors' observations on the relative performance of selected indices. All of the graphs on this page show rolling three-year return deviations from June 1983 through June 2009. These graphs demonstrate the importance of diversification over the long term. Changes are expressed in terms of percentages and/or bps.

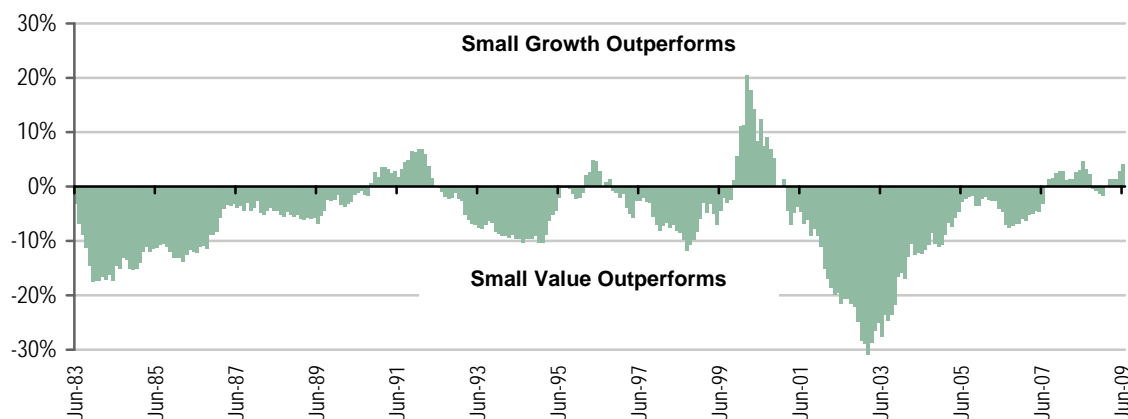
Large Growth Stocks vs. Large Value Stocks

Large growth stocks continued to outperform large value stocks, as the Russell 1000 Growth (R1000G) outpaced the Russell 1000 Value (R1000V) during Q2 2009. The R1000G outpaced the R1000V on a trailing one-year basis (+454 bps) and on a trailing three-year basis (+570 bps). The adjacent graph compares the rolling three-year returns for both indices. Since the inception of these indices in January 1979, the R1000V increased 11.5 percent and the R1000G increased 9.9 percent, a difference of 161 bps.



Source: Russell Investments

Small Growth Stocks vs. Small Value Stocks

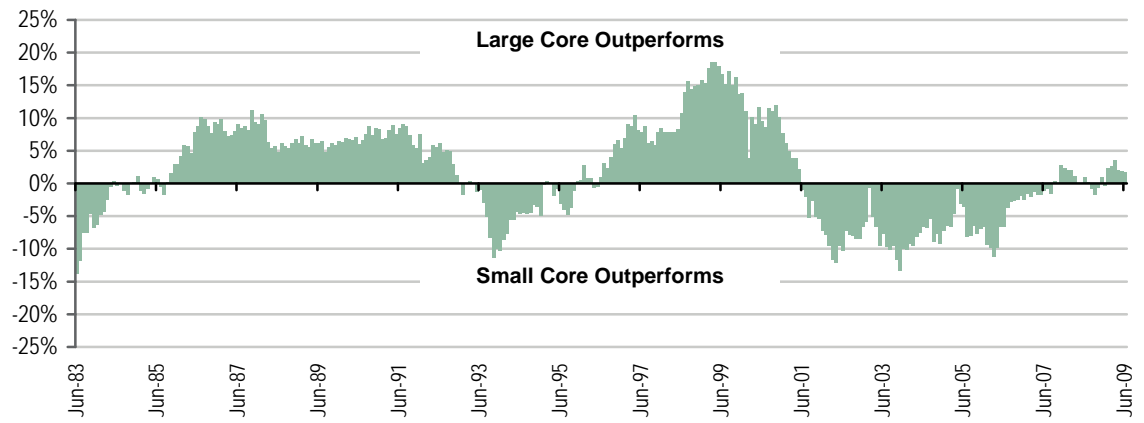


Source: Russell Investments

Similar to large cap stocks, the Russell 2000 Growth (R2000G) outpaced the Russell 2000 Value (R2000V) during Q2 2009, after a short period in which growth had underperformed. The R2000G outperformed the R2000V on a trailing one-year (+42 bps) and a trailing three-year basis (+420 bps). The adjacent graph compares the rolling three-year returns for both indices. Since the inception of these indices in January 1979, the R2000V increased 12.7 percent and the R2000G increased 8.3 percent, a difference of 434 bps.

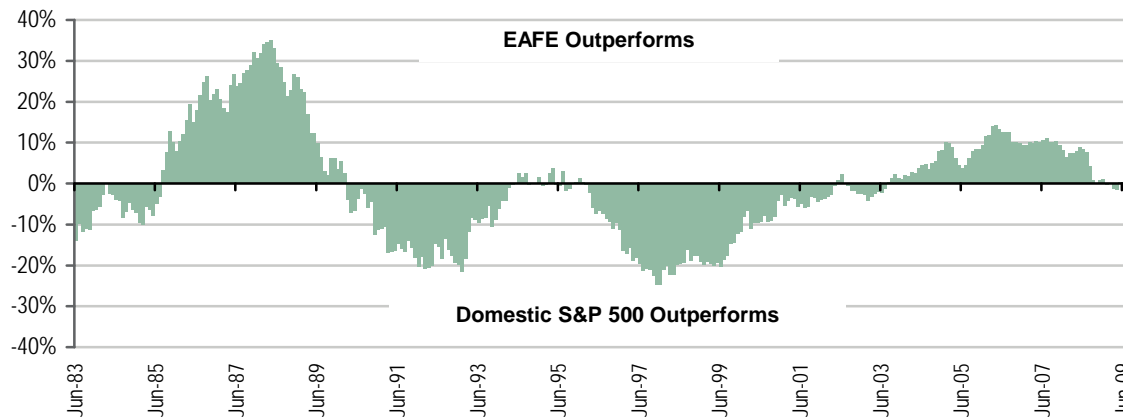
Large Stocks vs. Small Stocks

After a period with no discernable trend between large cap stocks and small cap stocks, large cap stocks have outperformed small cap stocks in rolling three-year periods over the past six months. Despite the longer term trends, the Russell 1000 (R1000) underperformed the Russell 2000 (R2000) on a trailing one-year basis (168 bps), yet outpaced the small cap index on a rolling three-year basis (170 bps). The adjacent graph compares the rolling three-year returns for both indices. Since the inception of these indices in January 1979, the R1000 increased 10.9 percent and the R2000 increased 10.7 percent, a difference of 22 bps.



Source: Russell Investments

Foreign Stocks vs. U.S. Stocks



Sources: Morgan Stanley Capital International and Standard & Poor's

After a short period of underperformance, international stocks modestly outperformed domestic stocks during the most recent rolling three-year periods by 20 bps. However, for the trailing one-year, the S&P 500 Index outpaced the MSCI EAFE Index by 514 bps. Since January 1979, the S&P 500 increased 10.9 percent and the MSCI EAFE increased 9.0 percent, a difference of 191 bps. The adjacent graph compares the rolling three-year returns for both indices.

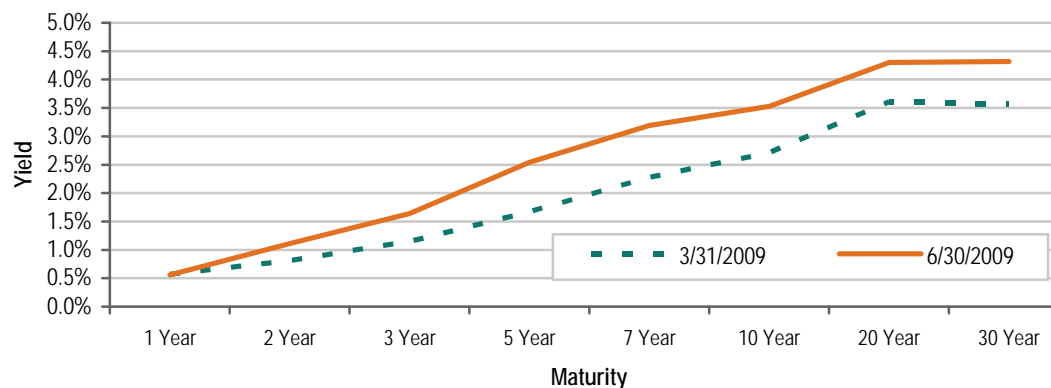
Investment Performance: Fixed Income and Alternative Asset Class Data

Page 7 and page 8 focus on selected fixed-income and alternative asset class data along with Segal Advisors' commentary.

Continued Yield Curve Steepening

During Q2 2009, Treasury yields continued their recovery from the historic low levels experienced at the end of December 2008. The yield curve steepened significantly, as compared to Q1 2009, as the difference between the 2- and 30-year Treasury yields jumped from 2.8 percent at the end of March 2009 to 3.2 percent at the end of June 2009.

The main reasons for the steepening in the Treasury yield curve were a considerable increase in new supply and longer term inflation concerns. The current shape of the yield curve is favorable for various financial institutions.



Source: U.S. Treasury Department

Sharp Tightening of Credit Spreads

Moody's Corporate-Treasury Bond Spread Baa 10-Yr Constant Maturities



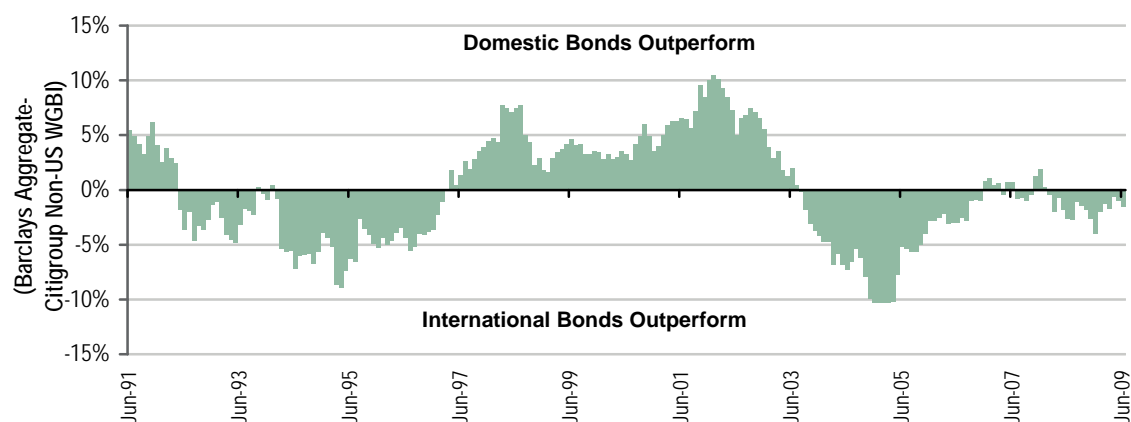
Source: Moody's Economy.com

During Q2 2009, credit spreads narrowed to end the quarter at 378 bps over Treasuries. The tightening of spreads can be attributed to an increased appetite for risk exhibited by investors during the quarter. Although economic fundamentals remained challenged, their pace of deterioration slowed, which helped alleviate fears of the economy going into a depression. All sectors posted positive returns for the quarter with REITs and Cyclical leading the rest.

International Bond and Domestic Bond Performance

In a reversal from Q1 2009, international bonds outperformed domestic bonds during Q2 2009. On a rolling three-year basis, global bonds have outperformed domestic bonds for 17 consecutive months and outpaced by 60 bps on a rolling 10-year basis. See the adjacent graph.

Performance of U.S. Bonds vs. International Bonds: Rolling Three-Year Return Deviations
June 1991 – June 2009



Source: Barclays Capital and Citigroup

Private Real Estate Sector and Region Performance

National Property Index Sector and Region Performance

	Returns as of the Second Quarter 2009		
	% Weight of Index	Quarter (%)	1-year (%)
NCREIF NPI Total Return	100%	-5.2	-19.6
Sector			
Apartment	24.1	-5.1	-20.9
Hotel	2.0	-5.5	-23.0
Industrial	15.3	-5.1	-19.2
Office	36.6	-6.5	-22.2
Retail	22.1	-3.0	-12.9
NCREIF Region			
East	33.2	-5.2	-21.6
Midwest	10.5	-4.5	-15.8
South	21.3	-4.6	-16.1
West	35.1	-5.8	-20.6

Source: National Council of Real Estate Investment Fiduciaries

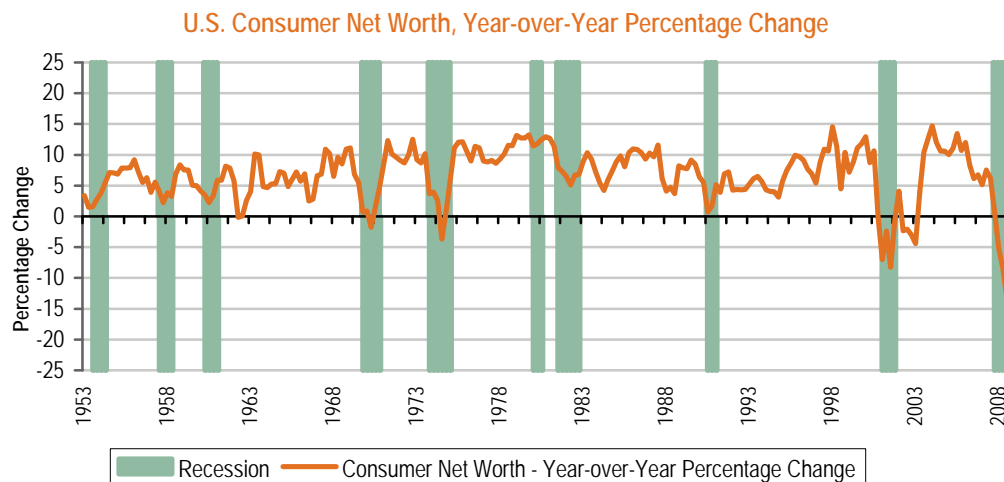
The NCREIF Property Index (NPI) lost 5.2 percent for Q2 2009 and 19.6 percent for the trailing one-year period. The Q2 2009 loss marks the second quarter in a row in which the pace of declines slowed. The peak loss occurred during Q4 2008 (loss of 8.3 percent), which was the worst quarterly decline since NCREIF started compiling results in 1978. During the second quarter, the office and hotel sectors were hit the hardest, due to a decline in office space market fundamentals and a decrease in leisure and business travel. The regions with the largest declines were the West and East, both of which had experienced the greatest value appreciation during the recent real estate boom.

Quarterly Highlights: Noteworthy Developments

Segal Advisors finds the Q2 2009 developments discussed below to be noteworthy for institutional investors.

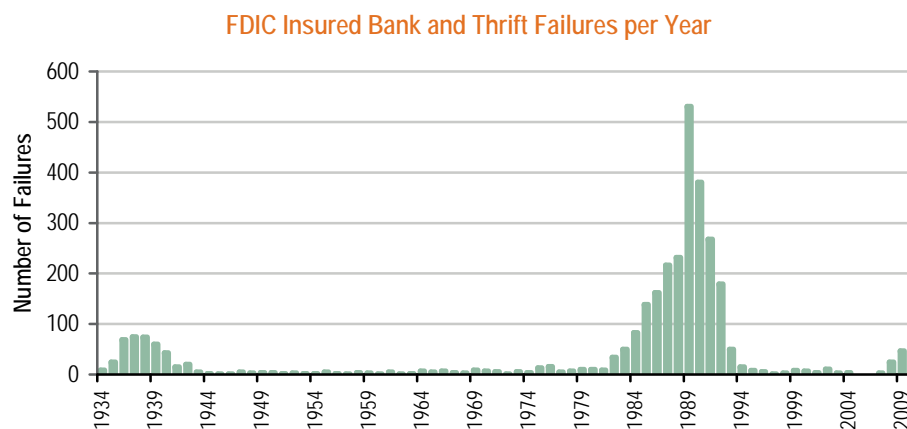
Consumer Net Worth

The adjacent graph displays the year-over-year percentage change in consumer net worth, calculated by subtracting total consumer liabilities from total consumer assets, which has dropped to its lowest point in the post-World War II era. Much of the large Baby Boomer population was counting on these assets (their perceived net worth) to serve as their retirement funding. From September 2007 to June 2008, the nation's net worth dropped approximately \$2.7 trillion, according to the Federal Reserve. From its peak in the third quarter of 2007, to the end of 2008, various entities have estimated that net worth has fallen by roughly \$9 trillion to \$13 trillion. These estimates demonstrate the severe losses individuals have faced since the peak in home and equity values (regardless of the degree in variance of the estimations). The changes in consumer net worth, along with the lack of available credit, has already contributed to changes in saving and spending habits in the U.S.



Source: Bureau of Economic Analysis

Bank Failures

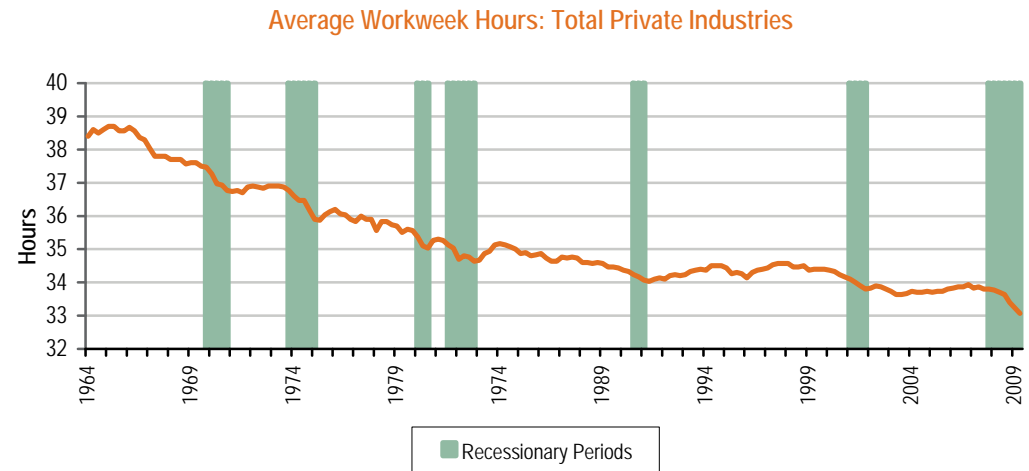


Source: Federal Deposit Insurance Corporation

While much of the focus has been on the stress tests and the subsequent raising of equity by large banks, the number of Federal Deposit Insurance Corporation (FDIC) "problem institutions" continues to grow. The number of banks on the FDIC's list of problem institutions leapt from 252 banks in the fourth quarter of 2008 to 305 in the first quarter of 2009. This represents the largest amount of troubled banks since the savings and loan crisis of 1994. Smaller banks are weighed down by commercial property loans, which are deteriorating at an alarming rate. According to Moody's, American banks' loan loss reserves are falling even further behind actual losses and now cover just 70 percent of the total. The increasing number of bank failures is taking a toll on the FDIC's reserves as well. At the end of March, the FDIC had just \$13 billion in assets, or 0.3 percent of the total accounts it insures. The FDIC expects U.S. bank failures to cost the insurance fund approximately \$70 billion through 2013.

Average Workweek Hours

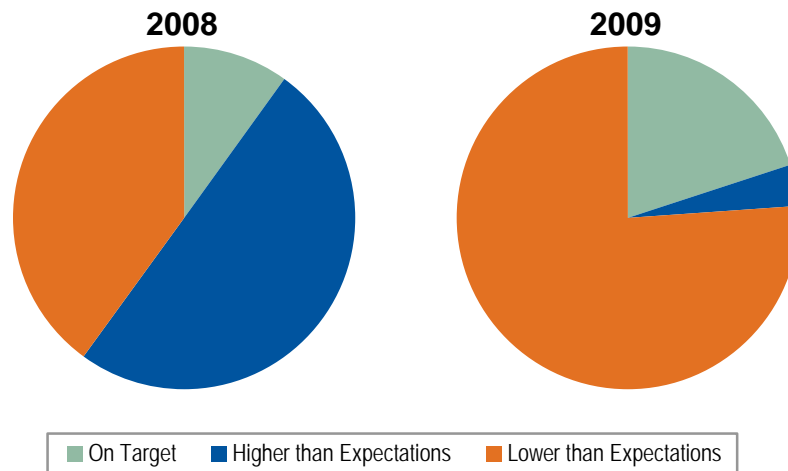
The average workweek for production and non-supervisory workers on private nonfarm payrolls fell by 0.1 hours to 33.0 hours in Q2 of 2009, the lowest level on record since the Bureau of Labor Statistics began measuring this data in 1964. The average hours have been declining at a steady pace since 1964; however, there tends to be significant drops during recessionary periods. Historically, when the number of average workweek hours increased for three consecutive months, business hiring would accelerate shortly thereafter. In contrast, when the number of hours worked showed a prolonged decline, layoffs, as well as cutbacks in business and consumer spending, were to be expected. The recent drastic decline in average workweek hours may be attributable, in part, to employers taking on more part-time workers in recent months.



Source: Bureau of Labor Statistics

States Revenue Expectations

State Revenue Expectations: 2008 vs. 2009



While much global attention has been focused on the US budget deficit, less attention has been paid to the 50 states, which are facing one of the worst fiscal periods in decades. During fiscal year 2009, financial conditions deteriorated for nearly every state and weak conditions are expected to continue in 2010, 2011, and 2012. Tax revenues from sales, personal income, and corporate income taxes were lower than expected and the number of states experiencing revenue shortfalls increased in fiscal 2009. The unemployment situation, paired with reductions in corporate profits, resulted in declines in capital gains and other investment income, which are an important source of revenue for states.

The adjacent set of pie charts demonstrate the change in revenue expectations from 2008 to 2009. In 2008, revenue forecasts exceeded expectations for 25 states, were on target for five states, and below expectations in 20 states. For 2009, revenue collections exceed expectations in two states, are on target in 10 states, while collections are below expectations for 38 states.

Source: National Governors Association and National Association of State Budget Officers

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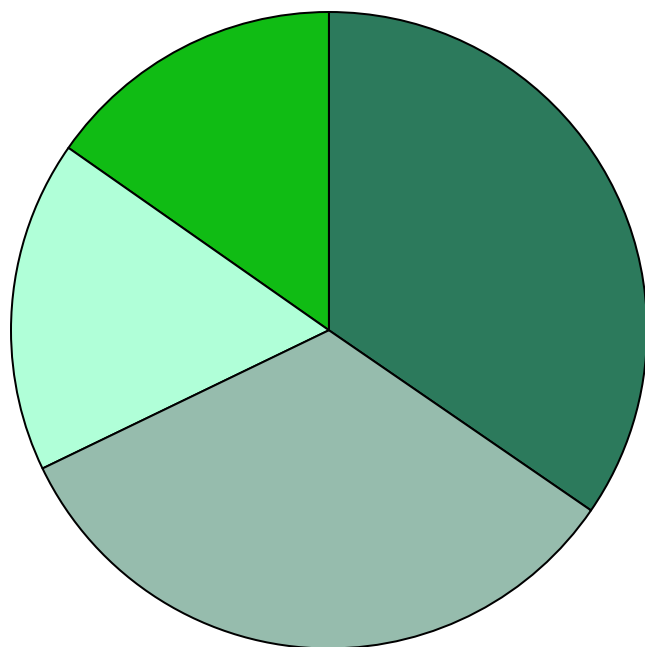
Investment Manager Roster

Investment Manager	Mandate	Benchmark	Inception Date
Principal Global Investors, LLC	Large Cap	S&P 500 Index	01/01/1995
Manning & Napier Advisors, Inc.	Small Cap	Russell 2000 Index	04/01/2008
Principal Global Investors, LLC	International Core	MSCI EAFE Net Index	01/01/1995
Principal Global Investors, LLC	Fixed Income Core	Barclays Capital Aggregate Bond Index	01/01/1995
Prudential Real Estate Investors	Real Estate	NCREIF ODCE Equal Weighted Index	04/01/2008

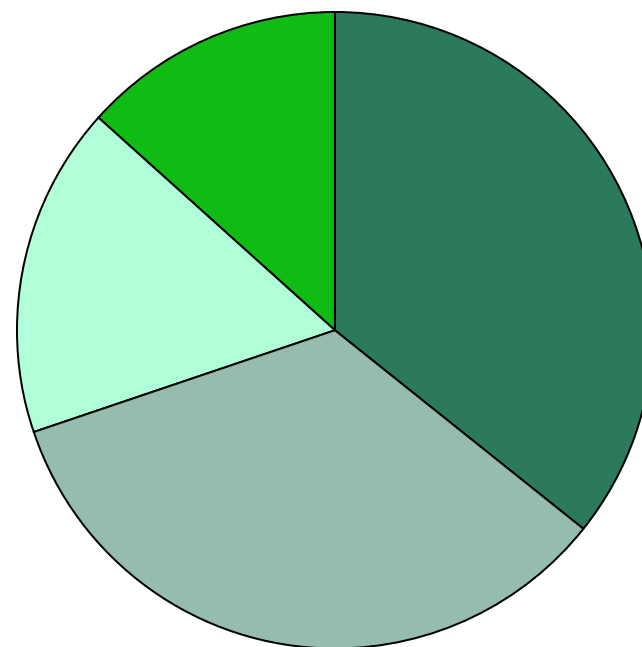
Asset Allocation Policy

Asset Class	Minimum	Target	Maximum
Domestic Equity	20%	25%	30%
Small Cap Core	10%	15%	20%
International Core	15%	20%	25%
Fixed Income Core	20%	25%	30%
Real Estate	10%	15%	20%

Mar-2009 : \$41,057,975



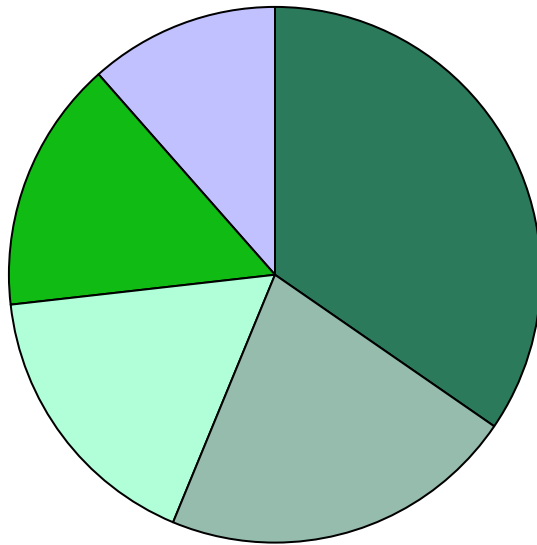
Jun-2009 : \$44,885,121



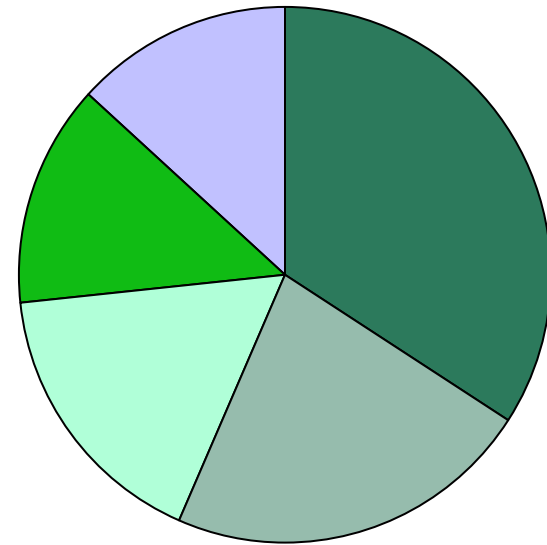
Segments	Market Value (\$)	Allocation (%)
Domestic Fixed Income	14,184,177	34.55
Domestic Equity	13,657,822	33.26
Real Estate	6,941,220	16.91
International Equity	6,274,756	15.28

Segments	Market Value (\$)	Allocation (%)
Domestic Equity	16,024,020	35.70
Domestic Fixed Income	15,324,014	34.14
International Equity	7,530,329	16.78
Real Estate	6,006,758	13.38

March 31, 2009 : \$41,057,975



June 30, 2009 : \$44,885,121



	Market Value (\$)	Allocation (%)
■ PRINCIPAL BOND AND MORTGAGE	14,184,177	34.55
■ PRINCIPAL LARGE CAP STOCK INDEX	8,926,728	21.74
■ PRUDENTIAL REAL ESTATE INVESTORS	6,941,220	16.91
■ PRINCIPAL INTERNATIONAL STOCK	6,274,756	15.28
■ MANNING AND NAPIER	4,731,094	11.52

	Market Value (\$)	Allocation (%)
■ PRINCIPAL BOND AND MORTGAGE	15,324,014	34.14
■ PRINCIPAL LARGE CAP STOCK INDEX	10,068,523	22.43
■ PRINCIPAL INTERNATIONAL STOCK	7,530,329	16.78
■ PRUDENTIAL REAL ESTATE INVESTORS	6,006,758	13.38
■ MANNING AND NAPIER	5,955,497	13.27

	Allocation		Performance %						
	Market Values (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
COMPOSITE	44,885,121	100.00	10.64	1.90	-23.83	-6.73	-1.01	1.01	01/01/2002
POLICY INDEX			10.78	0.45	-19.46	-3.81	0.66	1.87	
All Public Plans < \$1B-Total Fund Median			10.40	3.80	-15.71	-2.92	1.73	N/A	
Percentile Rank			46	87	98	99	99	N/A	
PRINCIPAL LARGE CAP STOCK INDEX	10,068,523	22.43	15.81	3.26	-26.30	-8.43	-2.41	6.87	01/01/1995
S&P 500			15.93	3.16	-26.21	-8.22	-2.24	6.82	
US Core/Large Cap Equity (SA+CF) Median			15.50	3.08	-26.19	-7.93	-1.24	N/A	
Percentile Rank			43	46	53	72	86	N/A	
MANNING AND NAPIER	5,955,497	13.27	25.88	22.09	-23.73	N/A	N/A	-24.32	04/01/2008
Russell 2000 Index			20.69	2.64	-25.01	-9.89	-1.71	-20.20	
US Core/Small Cap Equity (SA+CF) Median			20.84	4.38	-25.34	-9.92	-1.42	N/A	
Percentile Rank			18	4	35	N/A	N/A	N/A	
PRINCIPAL INTERNATIONAL STOCK	7,530,329	16.78	21.34	4.40	-38.23	-9.04	4.51	8.35	01/01/1995
MSCI EAFE (net)			25.43	7.95	-31.35	-7.98	2.31	3.66	
International Equity All (SA+CF) Median			24.56	9.51	-30.64	-6.55	3.57	N/A	
Percentile Rank			79	84	90	81	36	N/A	
PRINCIPAL BOND AND MORTGAGE	15,324,014	34.14	9.36	9.06	-3.08	1.25	2.21	6.47	01/01/1995
Barclays Capital Aggregate			1.78	1.90	6.05	6.43	5.02	6.75	
US Broad Market Core Fixed Income (SA+CF) Median			3.37	3.81	6.42	6.46	5.14	N/A	
Percentile Rank			4	3	95	98	98	N/A	
PRUDENTIAL REAL ESTATE INVESTORS	6,006,758	13.38	-13.25	-26.70	-37.06	N/A	N/A	-30.59	04/01/2008
NCREIF ODCE Equal Weighted			-9.92	-21.18	-30.79	-4.20	4.07	-25.12	

	Allocation		Performance %						
	Market Values (\$)	%	2008	2007	2006	2005	2004	2003	2002
COMPOSITE	44,885,121	100.00	-32.49	6.53	13.66	6.44	9.71	17.89	-6.01
POLICY INDEX			-24.92	6.99	13.21	5.40	9.97	21.11	-10.37
All Public Plans < \$1B-Total Fund Median			-23.39	7.43	12.55	6.98	10.68	22.47	-9.14
Percentile Rank			98	71	38	64	66	91	8
PRINCIPAL LARGE CAP STOCK INDEX	10,068,523	22.43	-37.22	5.21	15.44	4.92	10.83	28.53	-22.12
S&P 500			-37.00	5.49	15.79	4.91	10.88	28.68	-22.10
US Core/Large Cap Equity (SA+CF) Median			-36.66	6.30	15.77	6.75	11.68	28.80	-21.30
Percentile Rank			63	70	57	82	69	59	70
MANNING AND NAPIER	5,955,497	13.27	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Russell 2000 Index			-33.79	-1.57	18.37	4.55	18.33	47.25	-20.48
US Core/Small Cap Equity (SA+CF) Median			-34.93	-1.12	16.19	7.99	20.74	44.78	-14.84
Percentile Rank			N/A	N/A	N/A	N/A	N/A	N/A	N/A
PRINCIPAL INTERNATIONAL STOCK	7,530,329	16.78	-45.89	16.43	27.97	25.37	22.19	34.99	-14.65
MSCI EAFE (net)			-43.38	11.17	26.34	13.54	20.25	38.59	-15.94
International Equity All (SA+CF) Median			-43.25	11.94	26.71	16.16	20.49	39.00	-13.53
Percentile Rank			70	27	40	11	40	69	59
PRINCIPAL BOND AND MORTGAGE	15,324,014	34.14	-13.06	3.78	4.79	3.24	5.60	5.76	10.50
Barclays Capital Aggregate			5.24	6.97	4.34	2.43	4.34	4.11	10.27
US Broad Market Core Fixed Income (SA+CF) Median			3.58	6.93	4.47	2.72	4.51	4.53	10.31
Percentile Rank			97	96	18	11	4	14	42
PRUDENTIAL REAL ESTATE INVESTORS	6,006,758	13.38	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NCREIF ODCE Equal Weighted			-10.37	16.09	16.15	20.18	12.64	9.11	5.34

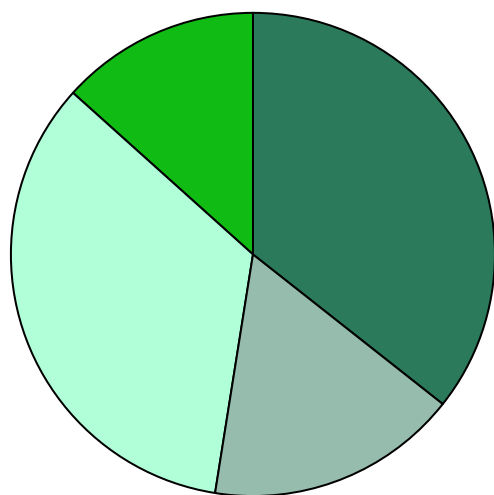
Manager Profile

Benchmark: Policy Index

Inception Date: January 1, 2002

Asset Allocation by Segment

Jun-2009 : \$44,885,121



Segments	Market Value (\$)	Allocation (%)
Domestic Equity	16,024,020	35.70
International Equity	7,530,329	16.78
Domestic Fixed Income	15,324,014	34.14
Real Estate	6,006,758	13.38

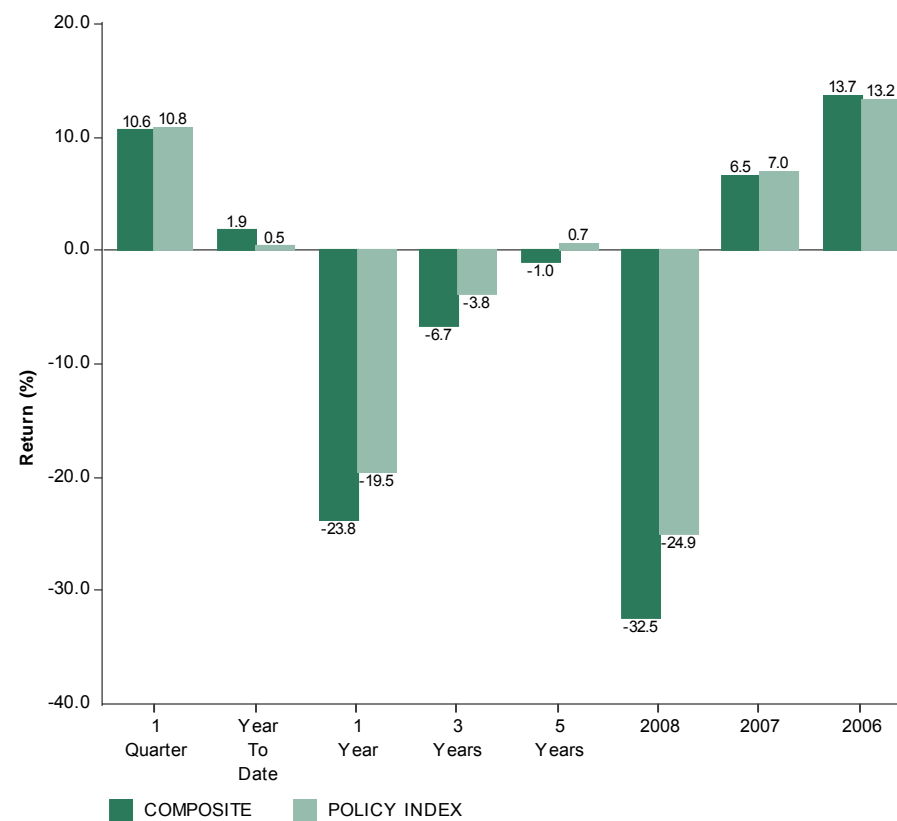
Cash allocation includes accrued income for the entire portfolio.

Gain / Loss Summary

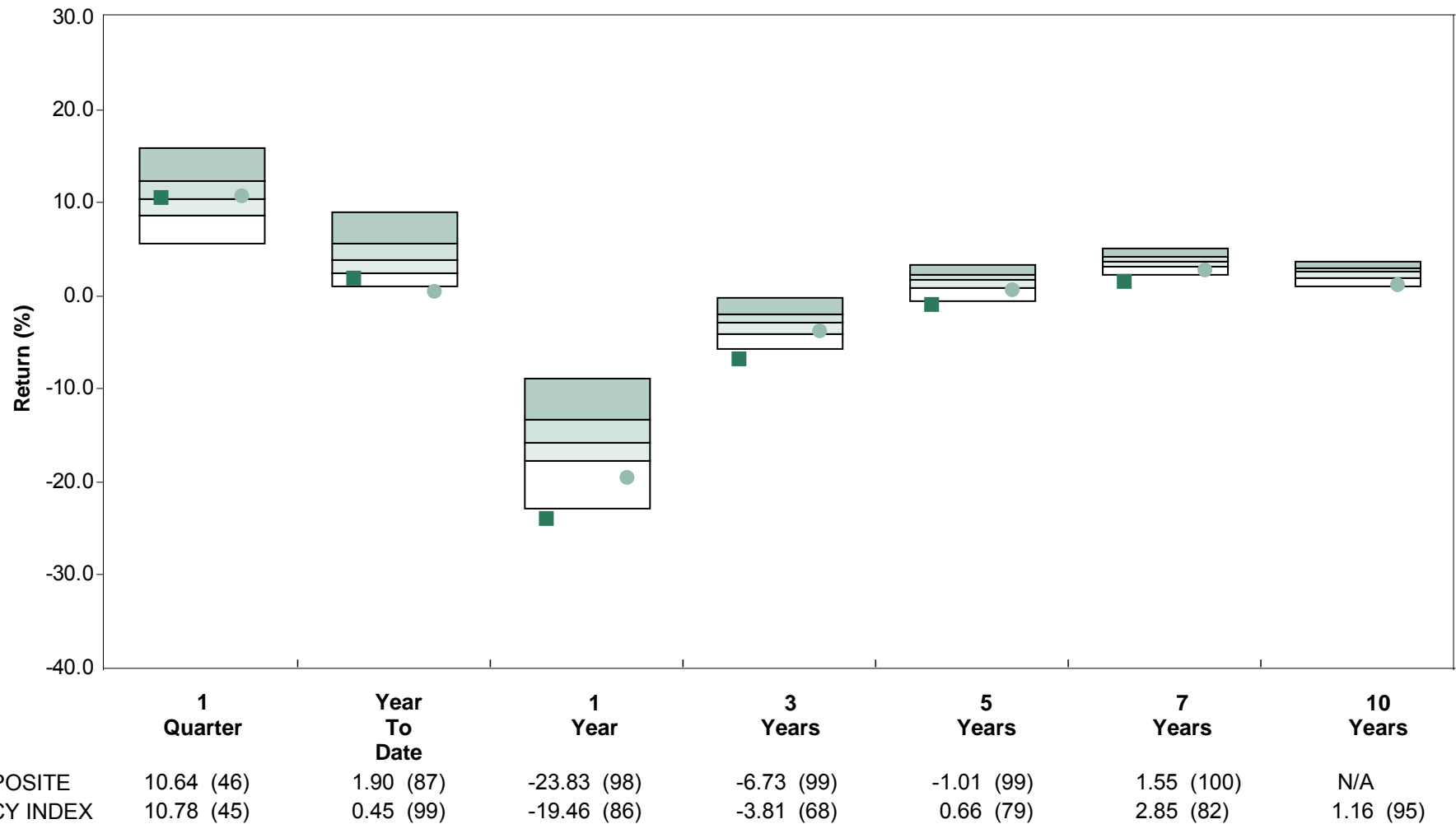
	1 Quarter	Year To Date	1 Year
COMPOSITE			
Beginning Market Value	41,057,975	42,990,157	58,628,061
Net Contributions	-499,461	956,700	37,356
Fees/Expenses	-15,715	-36,822	-36,822
Income	124,147	124,147	124,147
Gain/Loss	4,218,176	850,940	-13,867,620
Ending Market Value	44,885,121	44,885,121	44,885,121

Income includes income received and change in accrued income.

Performance Bar Chart

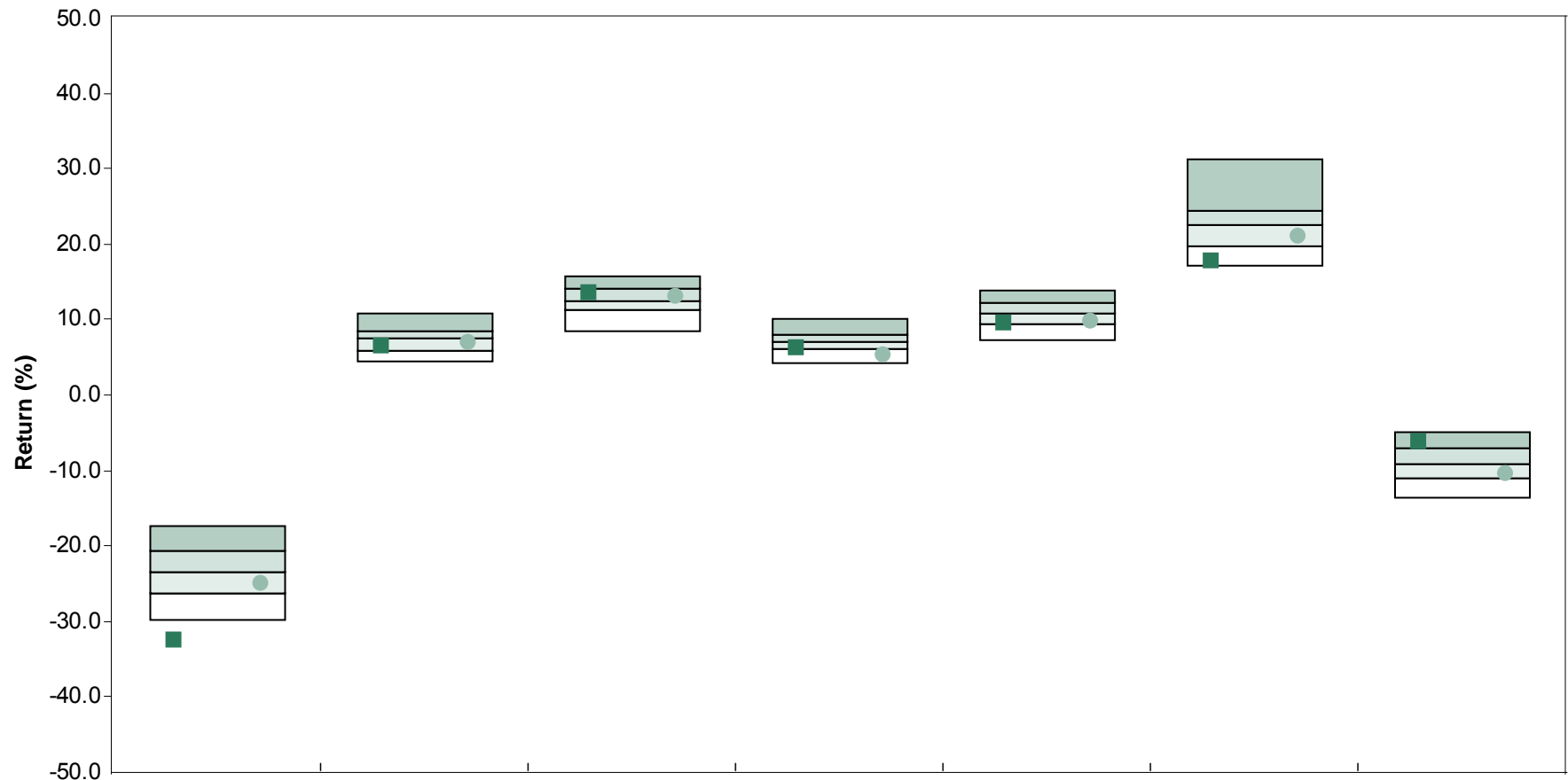


Allocation Mandate	Weight (%)
Effective Date: Jan-1995	
S&P 500 Index	50.00
Barclays Capital Aggregate	35.00
MSCI EAFE (Net)	15.00
Effective Date: Apr-2008	
S&P 500 Index	25.00
Barclays Capital Aggregate	25.00
MSCI EAFE (Net)	20.00
Russell 2000 Index	15.00
NCREIF ODCE Equal Weighted	15.00

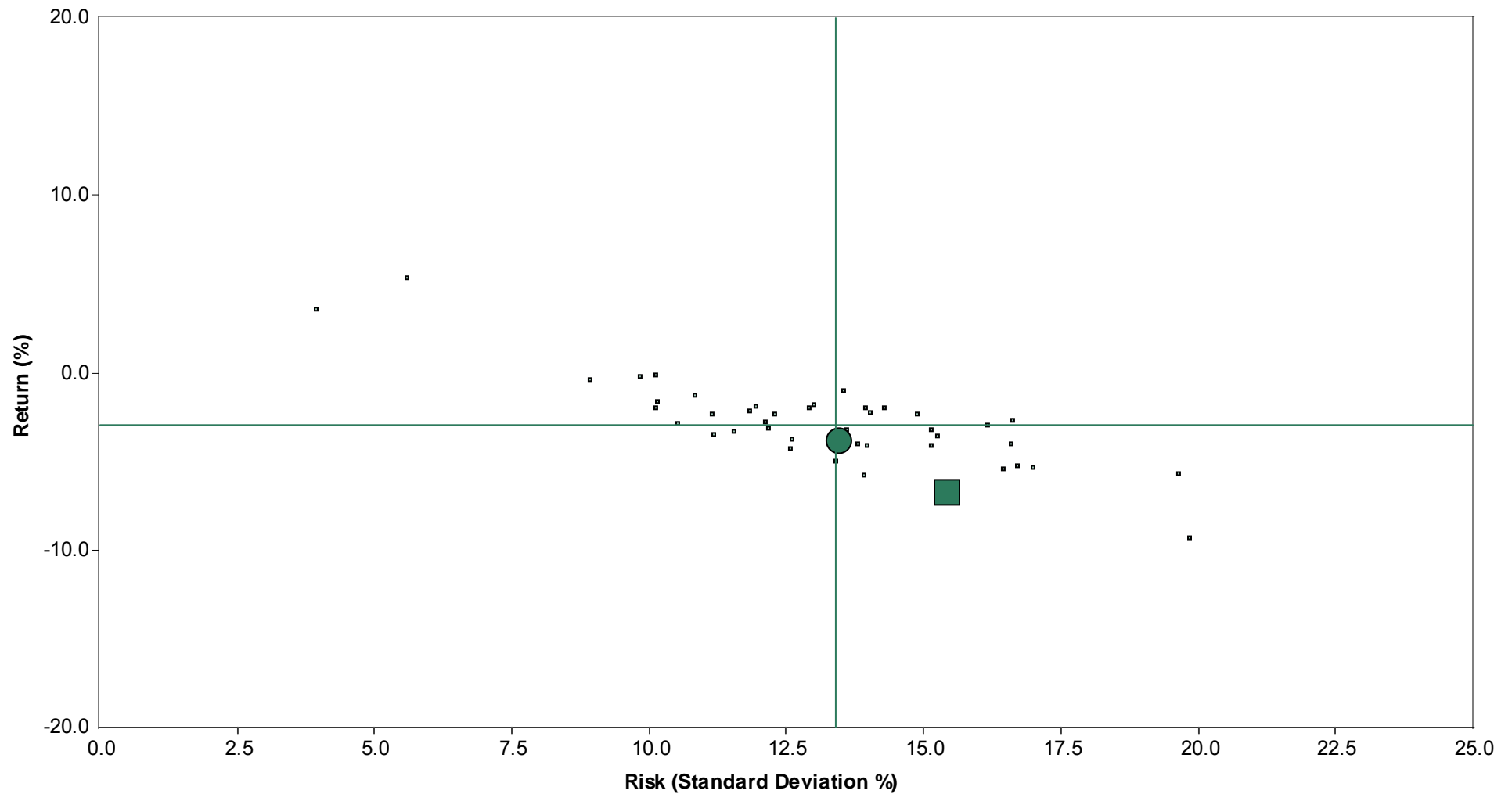


5th Percentile	15.90	8.97	-8.82	-0.14	3.33	5.15	3.71
1st Quartile	12.32	5.61	-13.30	-1.98	2.24	4.26	2.93
Median	10.40	3.80	-15.71	-2.92	1.73	3.71	2.61
3rd Quartile	8.53	2.44	-17.64	-4.06	0.87	3.21	1.88
95th Percentile	5.64	0.94	-22.91	-5.68	-0.54	2.20	1.03

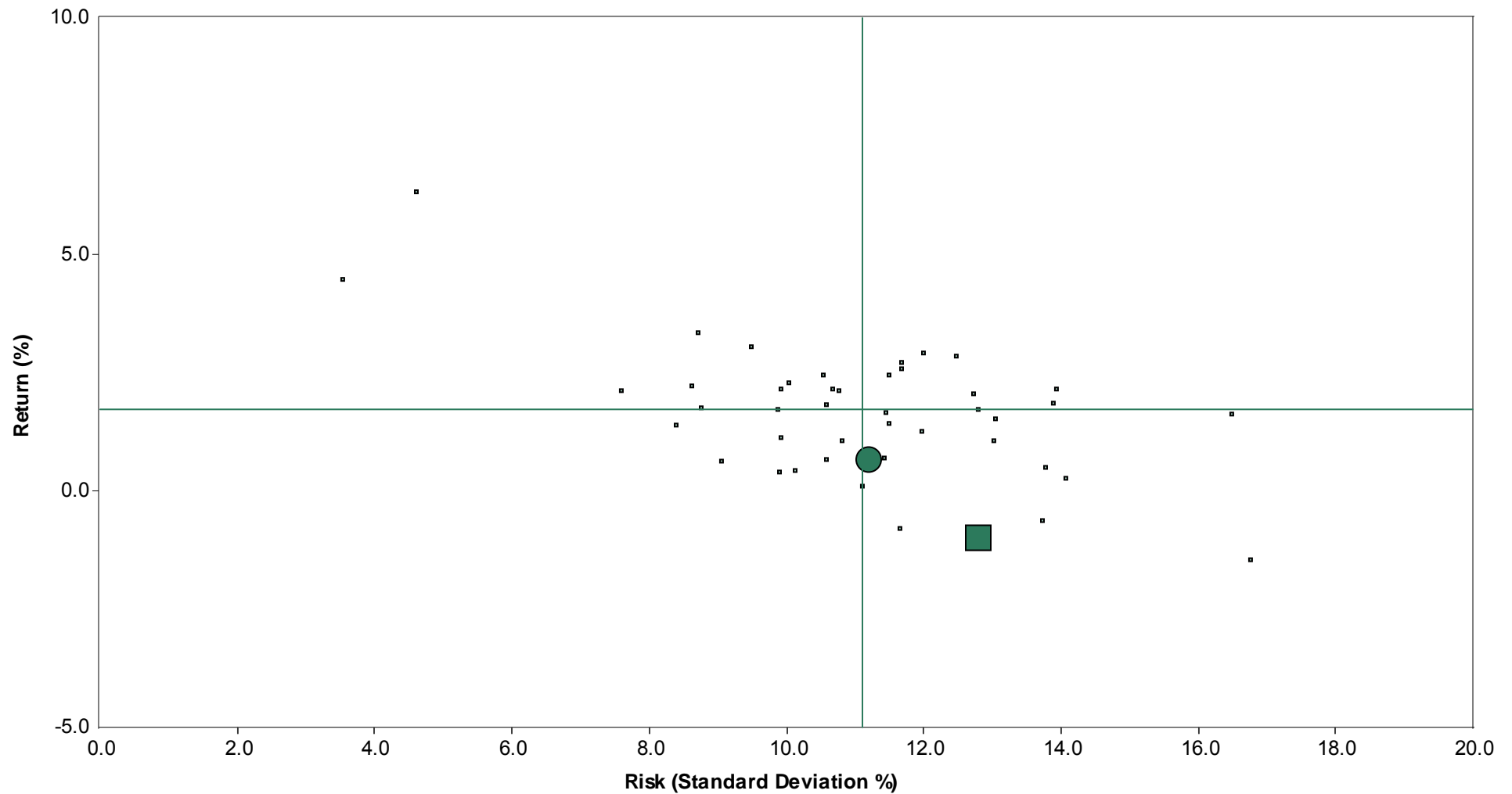
Parentheses contain percentile rankings.
Calculation based on monthly periodicity.



Parentheses contain percentile rankings.
Calculation based on quarterly periodicity.



	Return	Standard Deviation
COMPOSITE	-6.73	15.41
POLICY INDEX	-3.81	13.46
Median	-2.92	13.40



	Return	Standard Deviation
■ COMPOSITE	-1.01	12.80
● POLICY INDEX	0.66	11.20
— Median	1.73	11.10

Calendar Years	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return
From 02/2002	-	-	-	39,233,833	N/A
2003	39,233,833	-	6,846,203	46,080,036	17.89
2004	46,080,036	-	4,796,275	50,876,311	9.71
2005	50,876,311	-398,198	3,418,539	53,896,652	6.44
2006	53,896,652	-324,056	7,356,426	60,929,022	13.66
2007	60,929,022	-580,112	4,031,612	64,380,522	6.53
2008	64,380,522	-1,062,417	-20,327,948	42,990,157	-32.49
To 06/2009	42,990,157	919,878	975,086	44,885,121	1.90

Manager Profile

Style: Large Cap

Benchmark: S&P 500 Index

Peer Group: US Core/Large Cap Equity (SA + CF)

Inception Date: January 1, 1995

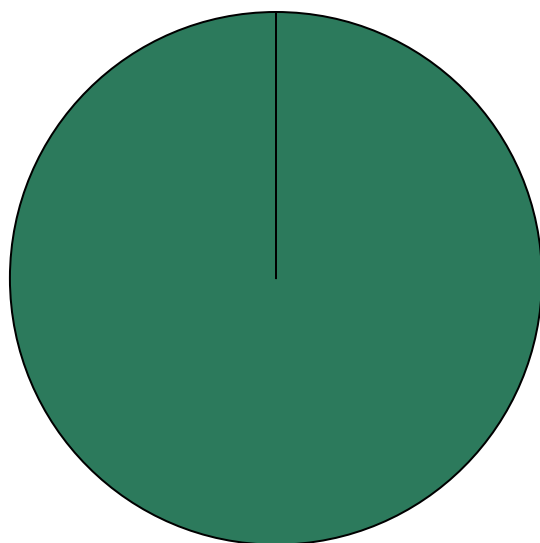
Gain / Loss Summary

	1 Quarter	Year To Date	1 Year
PRINCIPAL LARGE CAP STOCK INDEX			
Beginning Market Value	8,926,728	9,150,842	13,363,521
Net Contributions	-248,908	475,405	-12,017
Fees/Expenses	-	-	-
Income	-	-	-
Gain/Loss	1,390,703	442,276	-3,282,981
Ending Market Value	10,068,523	10,068,523	10,068,523

Income includes income received and change in accrued income.

Asset Allocation by Segment

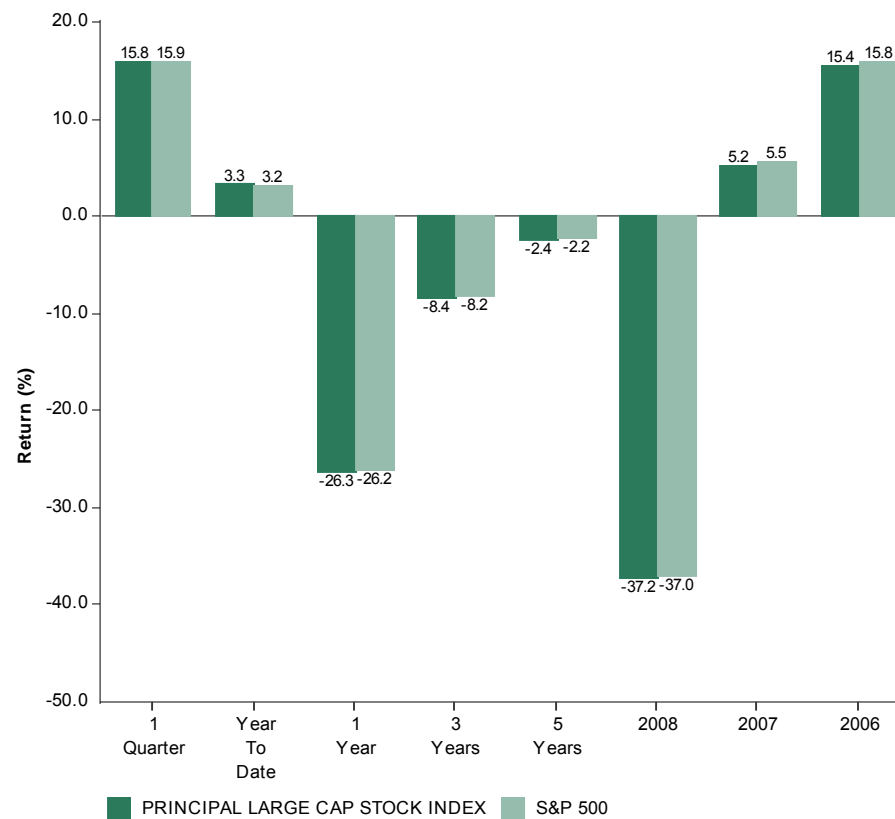
Jun-2009 : \$10,068,523



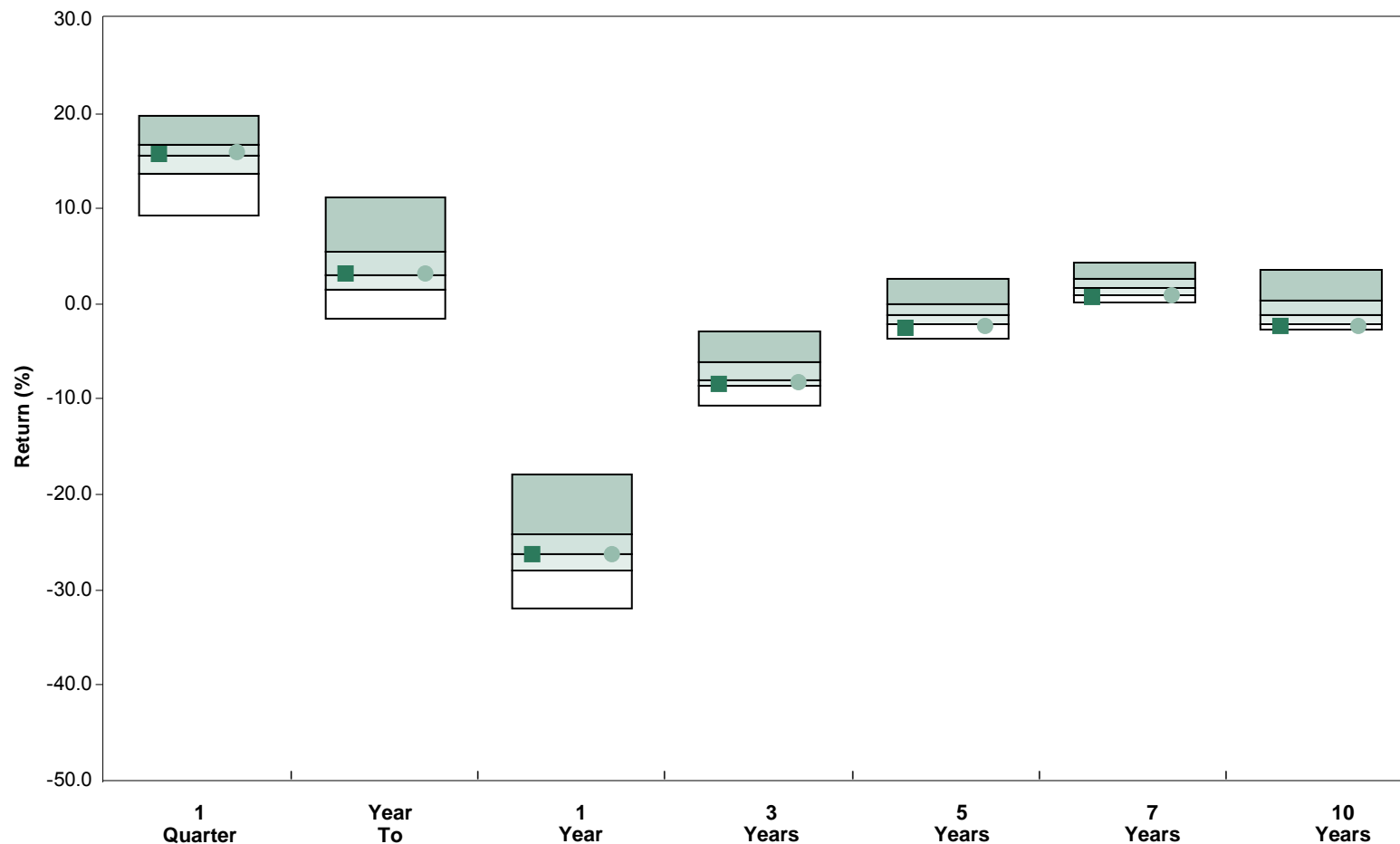
Segments	Market Value (\$)	Allocation (%)
Domestic Equity	10,068,523	100.00

Cash allocation includes accrued income for the entire portfolio.

Performance Bar Chart



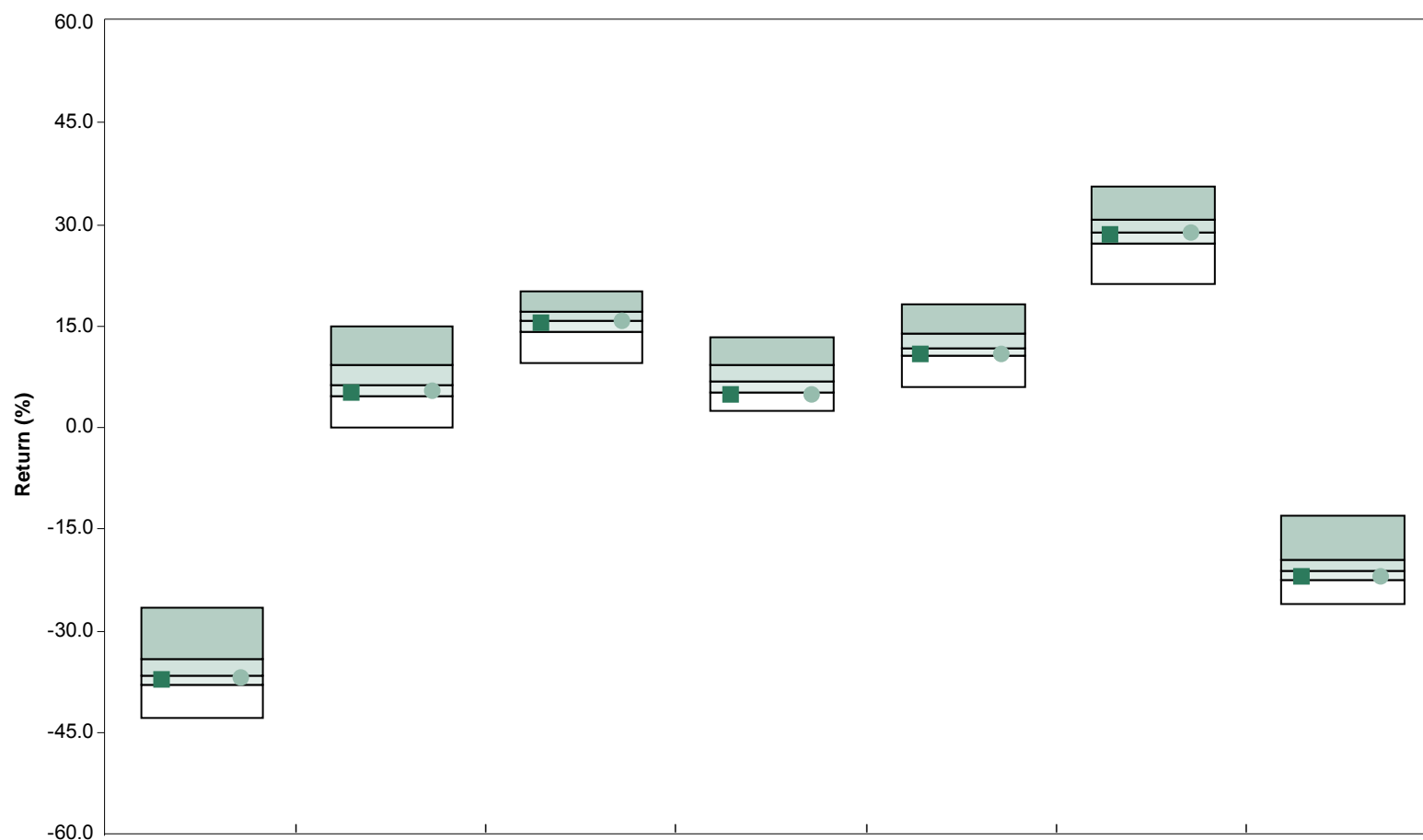
Peer Group Analysis - US Core/Large Cap Equity (SA+CF)



■ PRINCIPAL LARGE CAP STOCK INDEX
● S&P 500

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
	15.81 (43)	3.26 (46)	-26.30 (53)	-8.43 (72)	-2.41 (86)	0.78 (88)	-2.28 (88)
	15.93 (39)	3.16 (49)	-26.21 (51)	-8.22 (65)	-2.24 (84)	0.92 (84)	-2.22 (86)
5th Percentile	19.67	11.17	-17.93	-2.94	2.59	4.42	3.60
1st Quartile	16.63	5.55	-24.23	-6.17	-0.10	2.59	0.42
Median	15.50	3.08	-26.19	-7.93	-1.24	1.65	-1.09
3rd Quartile	13.66	1.46	-27.99	-8.61	-2.15	1.00	-2.06
95th Percentile	9.32	-1.56	-31.89	-10.70	-3.66	0.15	-2.62

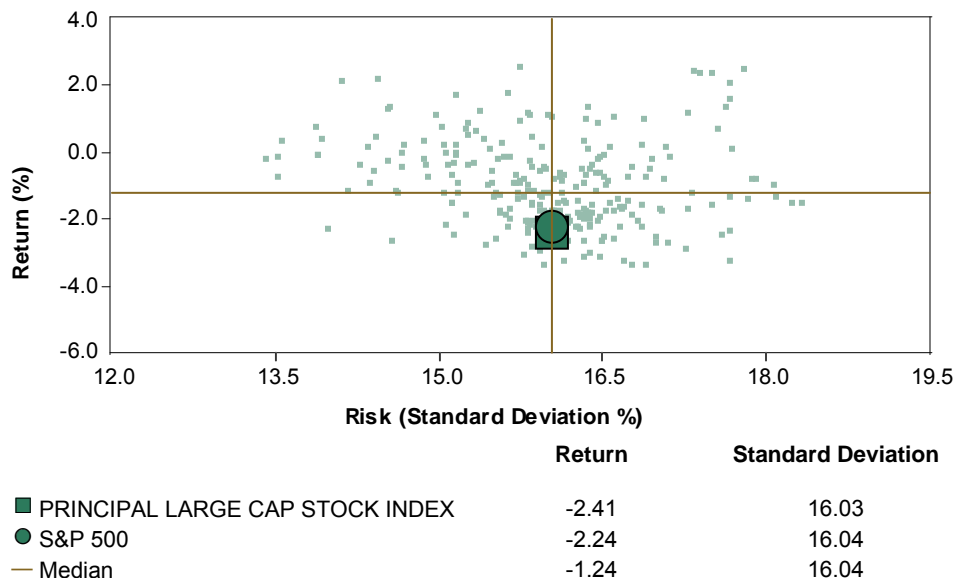
Peer Group Analysis - US Core/Large Cap Equity (SA+CF)



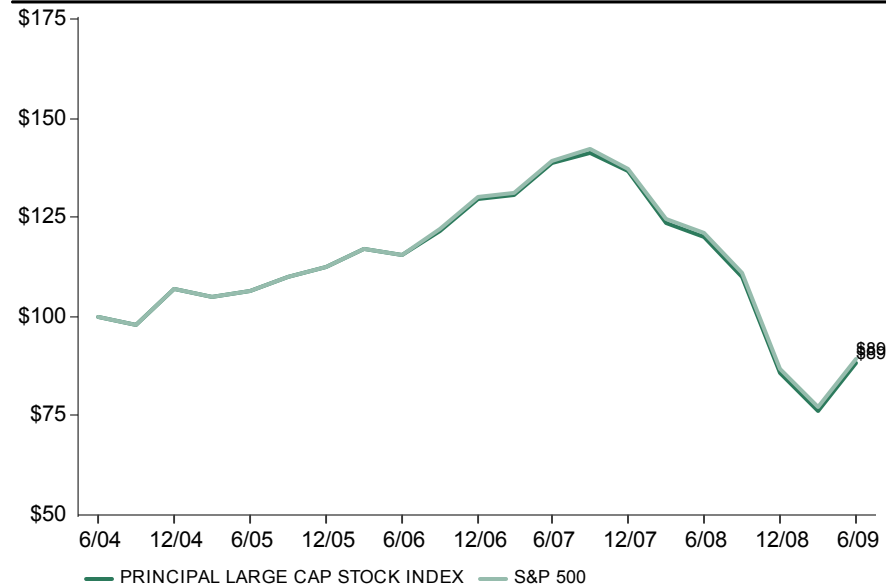
■ PRINCIPAL LARGE CAP STOCK INDEX
 ● S&P 500

	2008	2007	2006	2005	2004	2003	2002
	-37.22 (63)	5.21 (70)	15.44 (57)	4.92 (82)	10.83 (69)	28.53 (59)	-22.12 (70)
	-37.00 (59)	5.49 (68)	15.79 (49)	4.91 (82)	10.88 (66)	28.68 (55)	-22.10 (69)
5th Percentile	-26.60	14.91	20.08	13.26	18.26	35.63	-12.93
1st Quartile	-34.27	9.10	17.05	9.18	13.91	30.59	-19.44
Median	-36.66	6.30	15.77	6.75	11.68	28.80	-21.30
3rd Quartile	-38.08	4.51	14.01	5.06	10.49	27.17	-22.50
95th Percentile	-42.88	0.02	9.48	2.50	6.10	21.05	-26.18

Peer Group Scattergram (07/01/04 to 06/30/09)

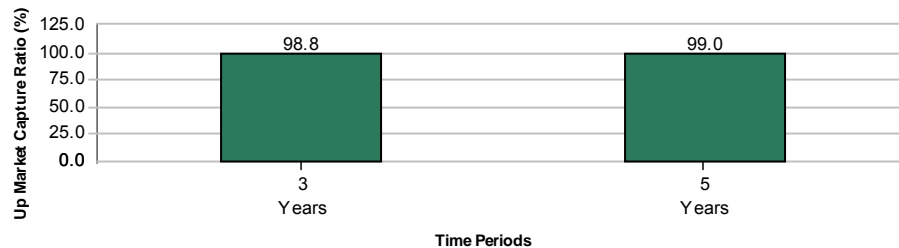


Growth of a Dollar (07/01/04 to 06/30/09)

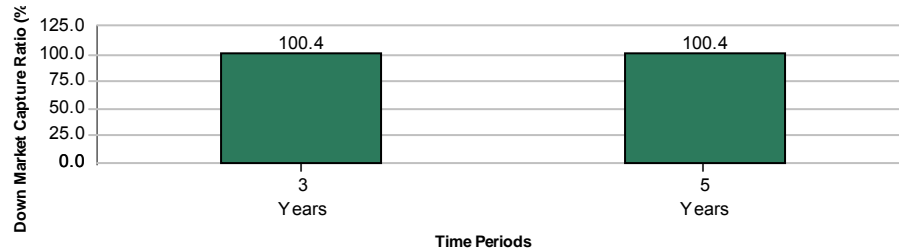


3 & 5 Year Up / Down Market Capture

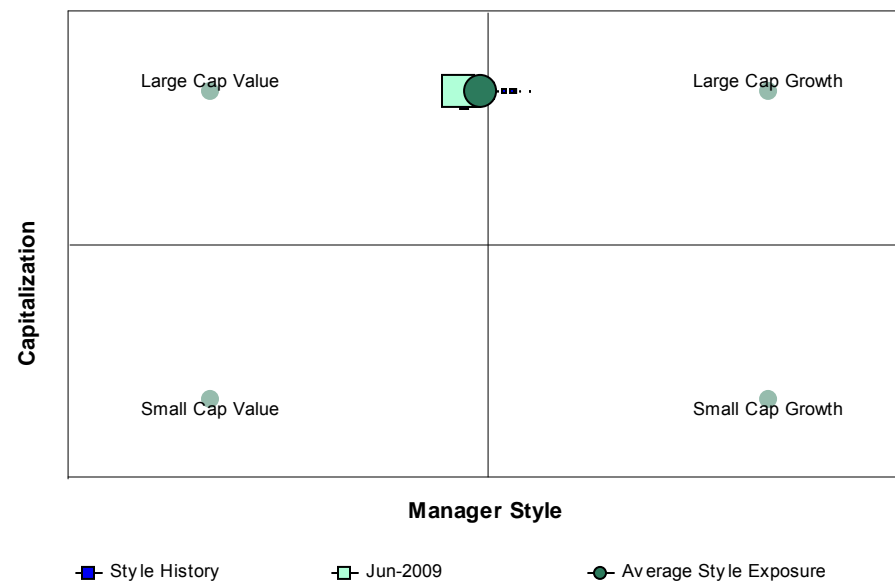
Up Market Capture



Down Market Capture



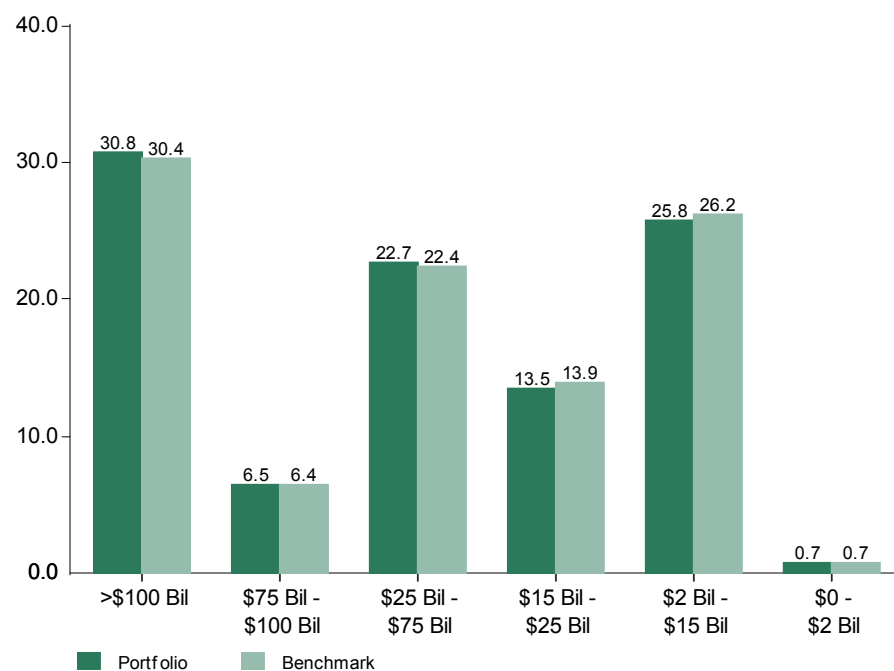
Style Analysis



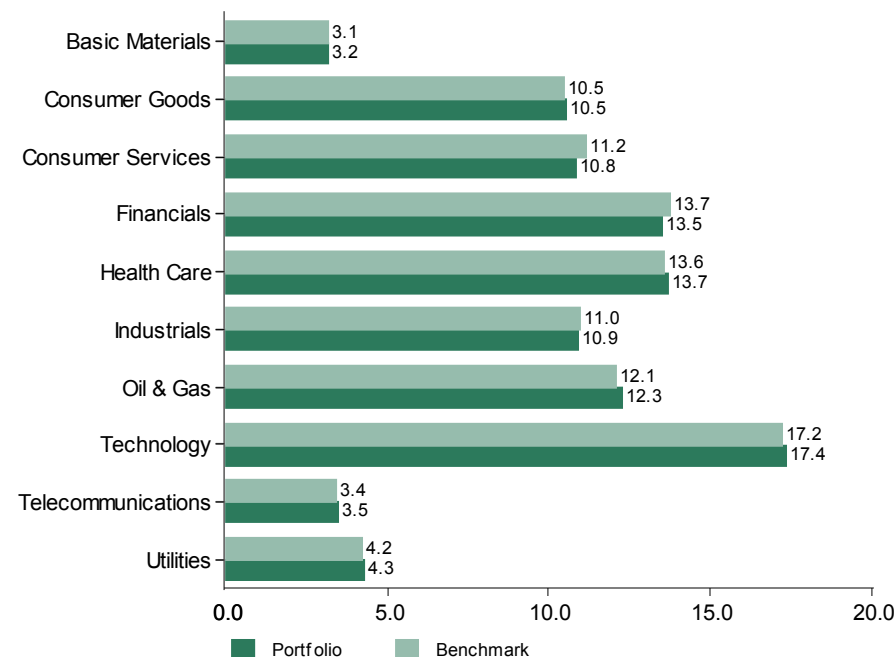
Top Ten Equity Holdings	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
EXXON MOBIL CORPORATION	4.29	4.24	0.06	3.28
MICROSOFT CORPORATION	2.29	2.26	0.03	30.20
JOHNSON & JOHNSON	1.97	1.94	0.03	8.94
PROCTER & GAMBLE CO (THE)	1.87	1.85	0.02	9.48
AT&T INC.	1.84	1.82	0.02	0.15
INT'L BUSINESS MACHS	1.74	1.71	0.02	8.33
JPMORGAN CHASE & CO.	1.68	1.65	0.02	28.52
CHEVRONTXACO CORPORATION	1.67	1.65	0.02	-0.51
APPLE COMPUTER, INC.	1.60	1.58	0.02	35.49
GENERAL ELECTRIC COMPANY	1.56	1.54	0.02	16.91
% of Portfolio	20.51	20.24		

Portfolio Characteristics	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$)	71,597,696,627	70,865,298,415
Median Mkt. Cap. (\$)	6,746,593,000	6,746,593,000
Price/Earnings ratio	13.71	13.70
Price/Book ratio	2.39	2.38
5 Yr. EPS Growth Rate (%)	17.67	17.78
Current Yield (%)	2.84	2.84
Beta (5 yrs, monthly periodicity)	0.43	1.00
Number of Stocks	495	500

Distribution of Market Capitalization (%)



Sector Weights (%)



Calendar Years	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return
2002	-	-	-	15,562,469	N/A
2003	15,562,469	-	6,703,688	22,266,157	28.53
2004	22,266,157	-	3,991,375	26,257,532	10.83
2005	26,257,532	243,995	2,004,461	28,505,988	4.92
2006	28,505,988	1,065,550	4,511,846	34,083,384	15.44
2007	34,083,384	407,138	1,828,961	36,319,483	5.21
2008	36,319,483	-20,204,224	-6,964,417	9,150,842	-37.22
To 06/2009	9,150,842	475,405	442,276	10,068,523	3.26

Gain/Loss includes income received and change in accrued income for the period.

Manager Profile

Style: Foreign Equity

Benchmark: MSCI Net EAFE

Peer Group: International Equity All (SA + CF)

Inception Date: January 1, 1995

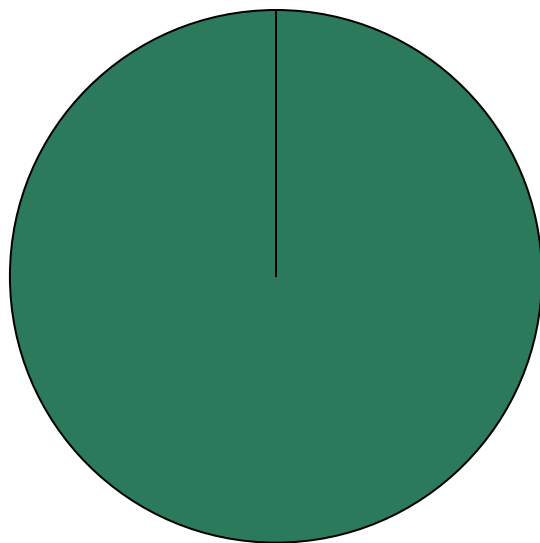
Gain / Loss Summary

	1 Quarter	Year To Date	1 Year
PRINCIPAL INTERNATIONAL STOCK			
Beginning Market Value	6,274,756	7,023,858	12,041,981
Net Contributions	-74,672	143,813	12,792
Fees/Expenses	-	-	-
Income	-	-	-
Gain/Loss	1,330,246	362,658	-4,524,444
Ending Market Value	7,530,329	7,530,329	7,530,329

Income includes income received and change in accrued income.

Asset Allocation by Segment

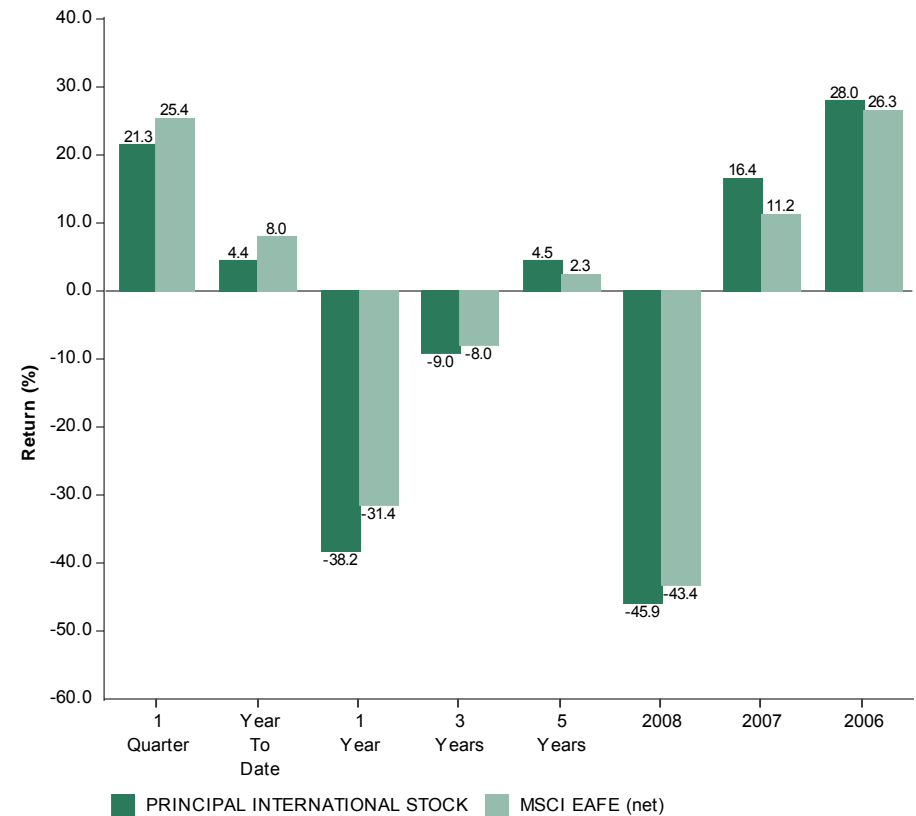
Jun-2009 : \$7,530,329



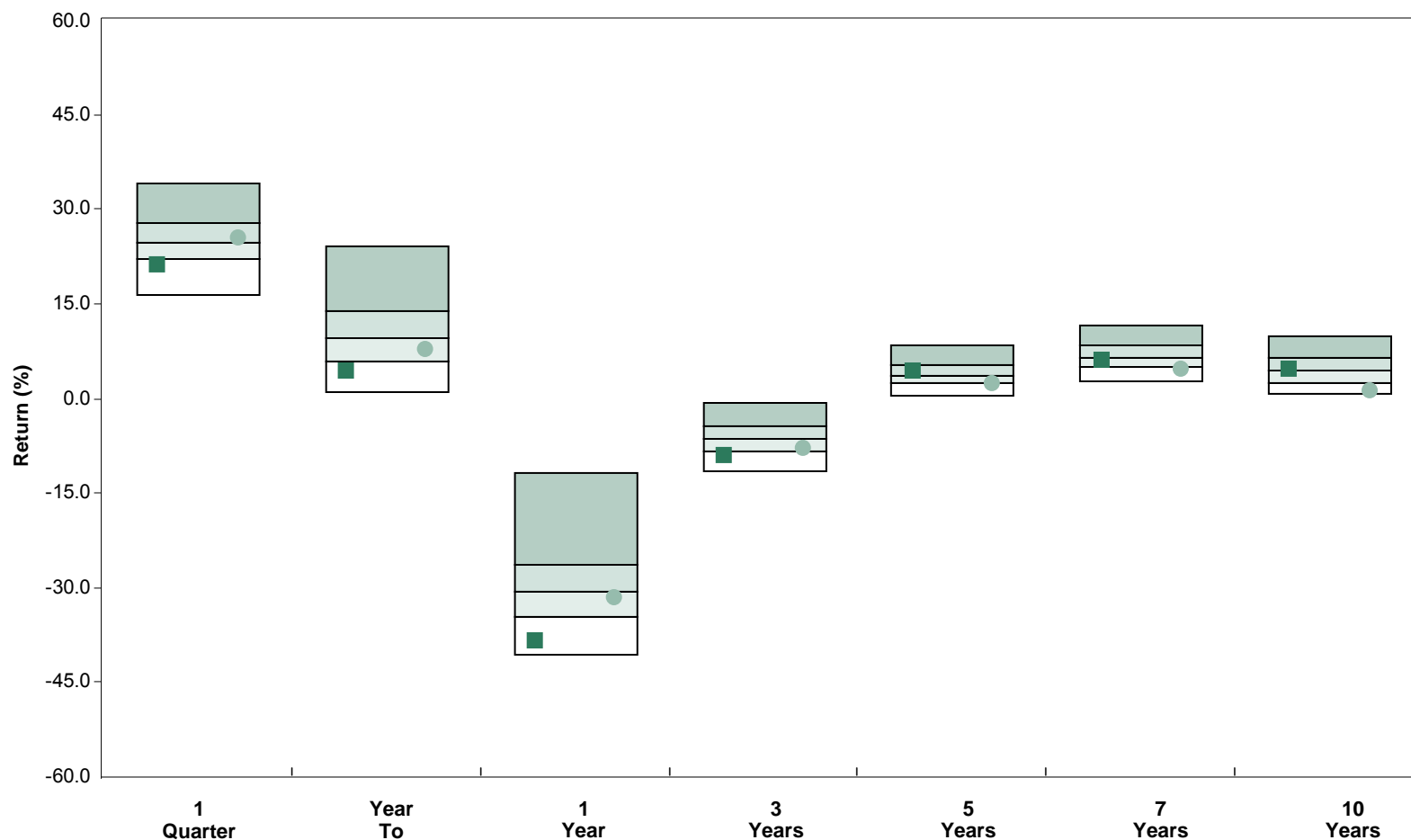
Segments	Market Value (\$)	Allocation (%)
■ International Equity	7,530,329	100.00

Cash allocation includes accrued income for the entire portfolio.

Performance Bar Chart



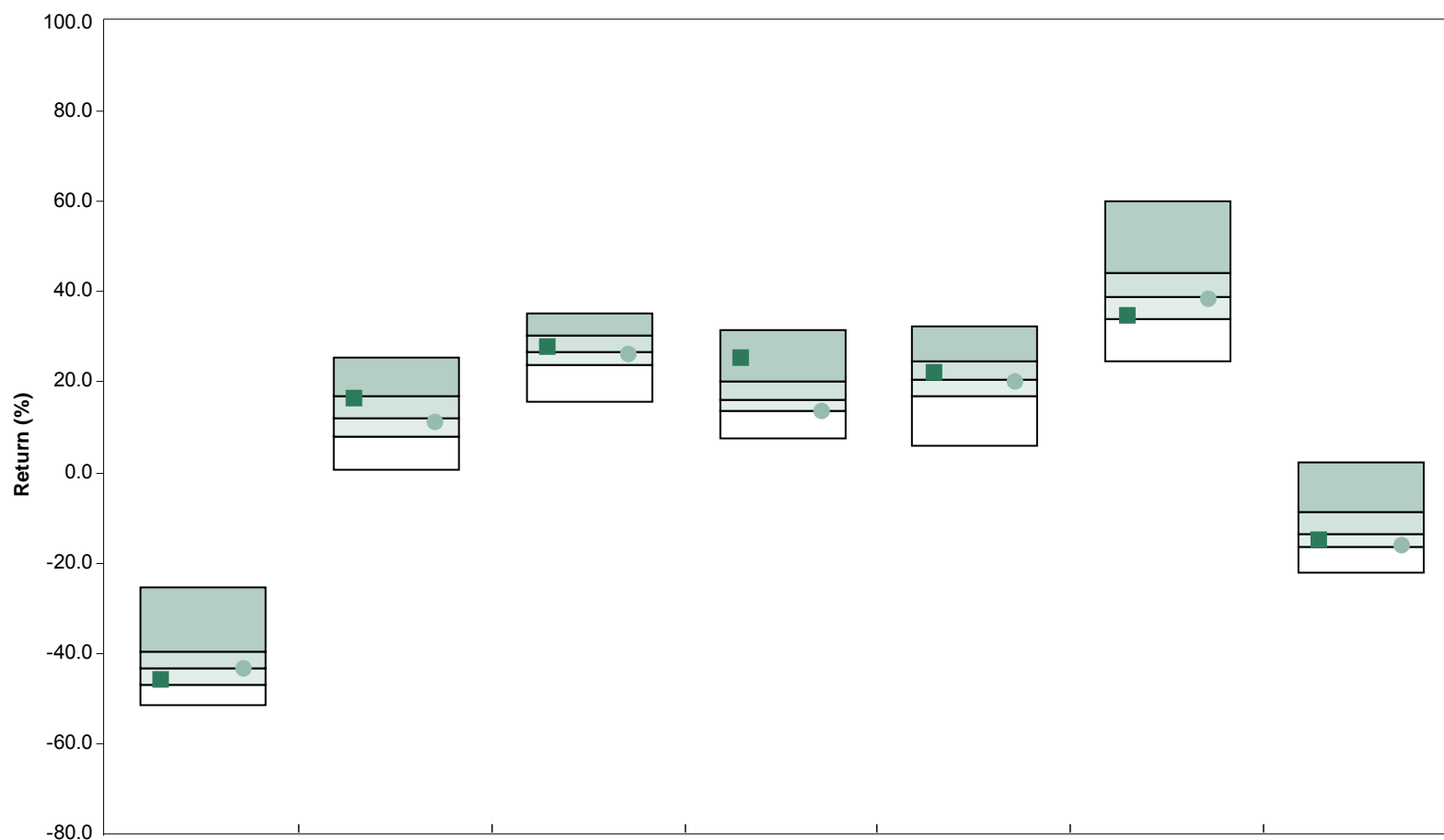
Peer Group Analysis - International Equity All (SA+CF)



■ PRINCIPAL INTERNATIONAL STOCK
● MSCI EAFE (net)

5th Percentile	34.06	23.96	-11.94	-0.57	8.42	11.55	9.79
1st Quartile	27.78	13.91	-26.24	-4.49	5.28	8.28	6.49
Median	24.56	9.51	-30.64	-6.55	3.57	6.42	4.30
3rd Quartile	21.96	5.75	-34.53	-8.29	2.39	5.08	2.50
95th Percentile	16.40	0.88	-40.60	-11.55	0.34	2.82	0.70

Peer Group Analysis - International Equity All (SA+CF)

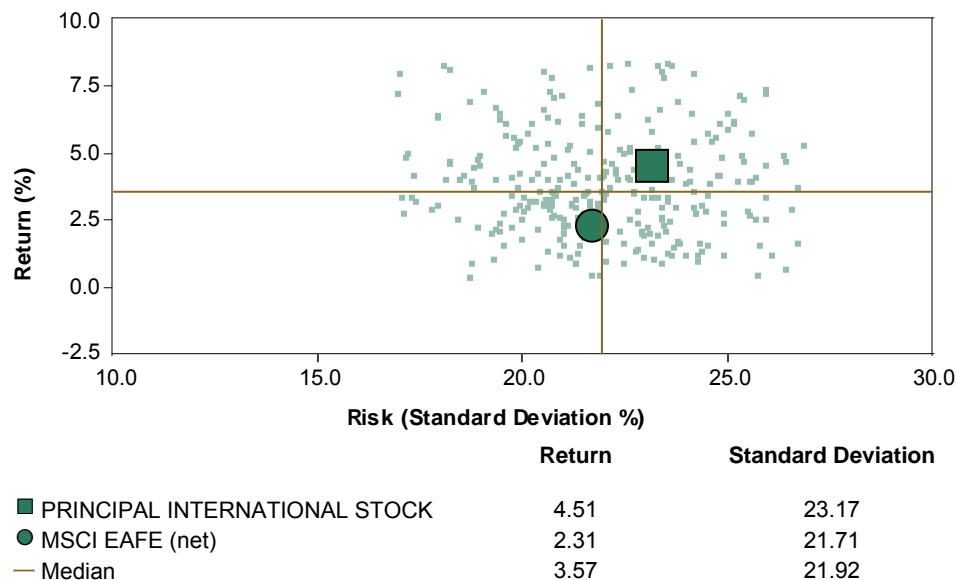


■ PRINCIPAL INTERNATIONAL STOCK
● MSCI EAFE (net)

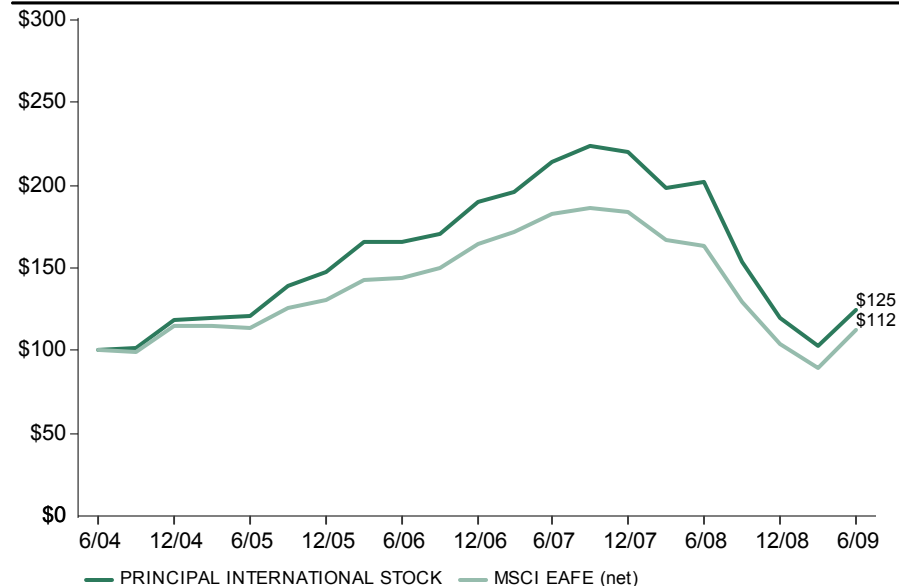
	2008	2007	2006	2005	2004	2003	2002
PRINCIPAL INTERNATIONAL STOCK	-45.89 (70)	16.43 (27)	27.97 (40)	25.37 (11)	22.19 (40)	34.99 (69)	-14.65 (59)
MSCI EAFE (net)	-43.38 (52)	11.17 (56)	26.34 (55)	13.54 (75)	20.25 (53)	38.59 (53)	-15.94 (71)

5th Percentile	-25.57	25.41	35.16	31.39	32.51	60.02	2.18
1st Quartile	-39.63	17.02	30.24	20.11	24.83	44.34	-8.92
Median	-43.25	11.94	26.71	16.16	20.49	39.00	-13.53
3rd Quartile	-46.95	7.82	23.88	13.50	17.03	33.98	-16.62
95th Percentile	-51.52	0.69	15.63	7.36	6.03	24.49	-22.06

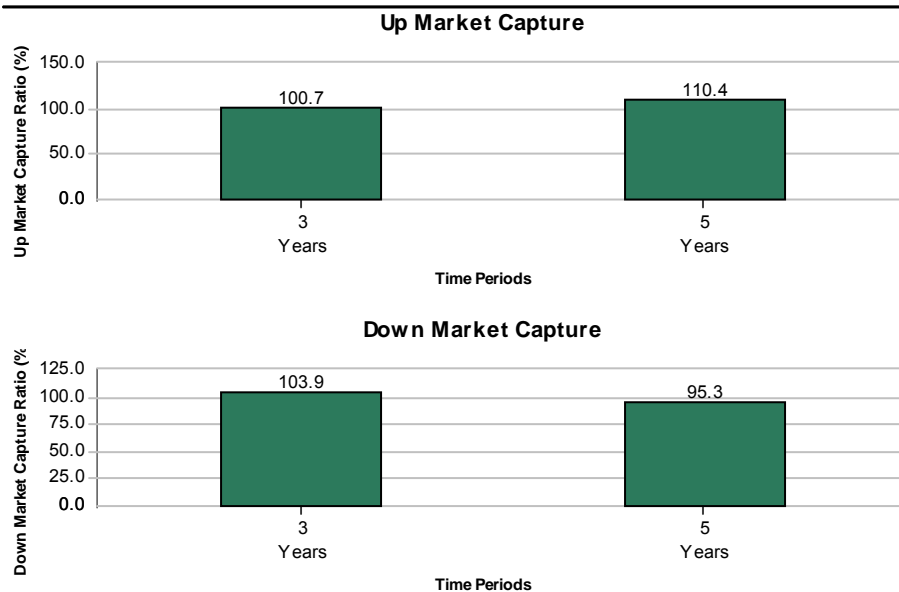
Peer Group Scattergram (07/01/04 to 06/30/09)



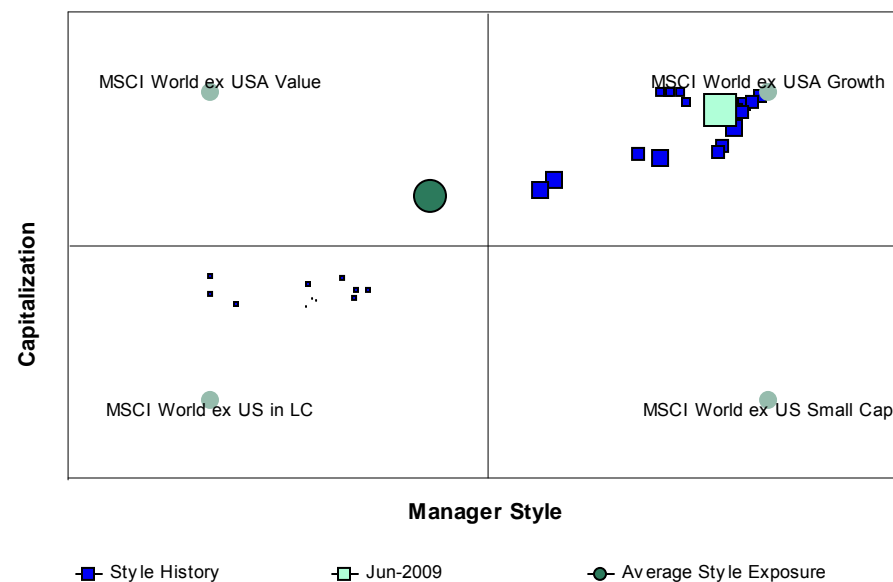
Growth of a Dollar (07/01/04 to 06/30/09)



3 & 5 Year Up / Down Market Capture



Style Analysis



Calendar Years	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return
From 05/2002	-	-	-	3,315,150	N/A
2003	3,315,150	-	1,189,213	4,504,363	34.99
2004	4,504,363	-	1,050,394	5,554,757	22.19
2005	5,554,757	48,799	1,527,136	7,130,692	25.37
2006	7,130,692	213,112	2,026,542	9,370,346	27.97
2007	9,370,346	23,792	1,566,027	10,960,165	16.43
2008	10,960,165	1,880,250	-5,816,557	7,023,858	-45.89
To 06/2009	7,023,858	143,813	362,658	7,530,329	4.40

Gain/Loss includes income received and change in accrued income for the period.

Manager Profile

Style: Small Cap

Benchmark: Russell 2000 Index

Peer Group: US Core/Small Cap Equity (SA + CF)

Inception Date: March 1, 2008

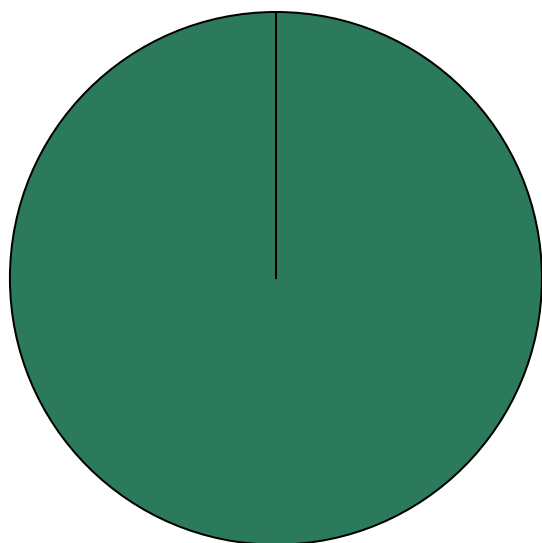
Gain / Loss Summary

	1 Quarter	Year To Date	1 Year
MANNING AND NAPIER			
Beginning Market Value	4,731,094	4,878,022	7,807,871
Net Contributions	-	-	86,216
Fees/Expenses	-	-	-
Income	-	-	-
Gain/Loss	1,224,403	1,077,475	-1,938,590
Ending Market Value	5,955,497	5,955,497	5,955,497

Income includes income received and change in accrued income.

Asset Allocation by Segment

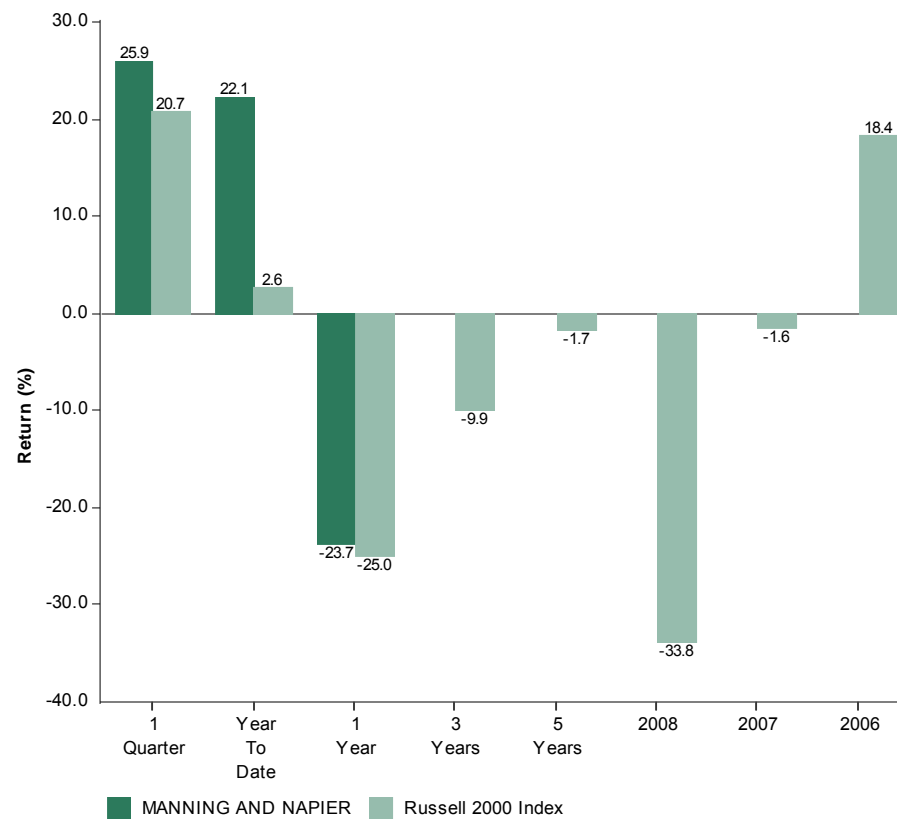
Jun-2009 : \$5,955,497



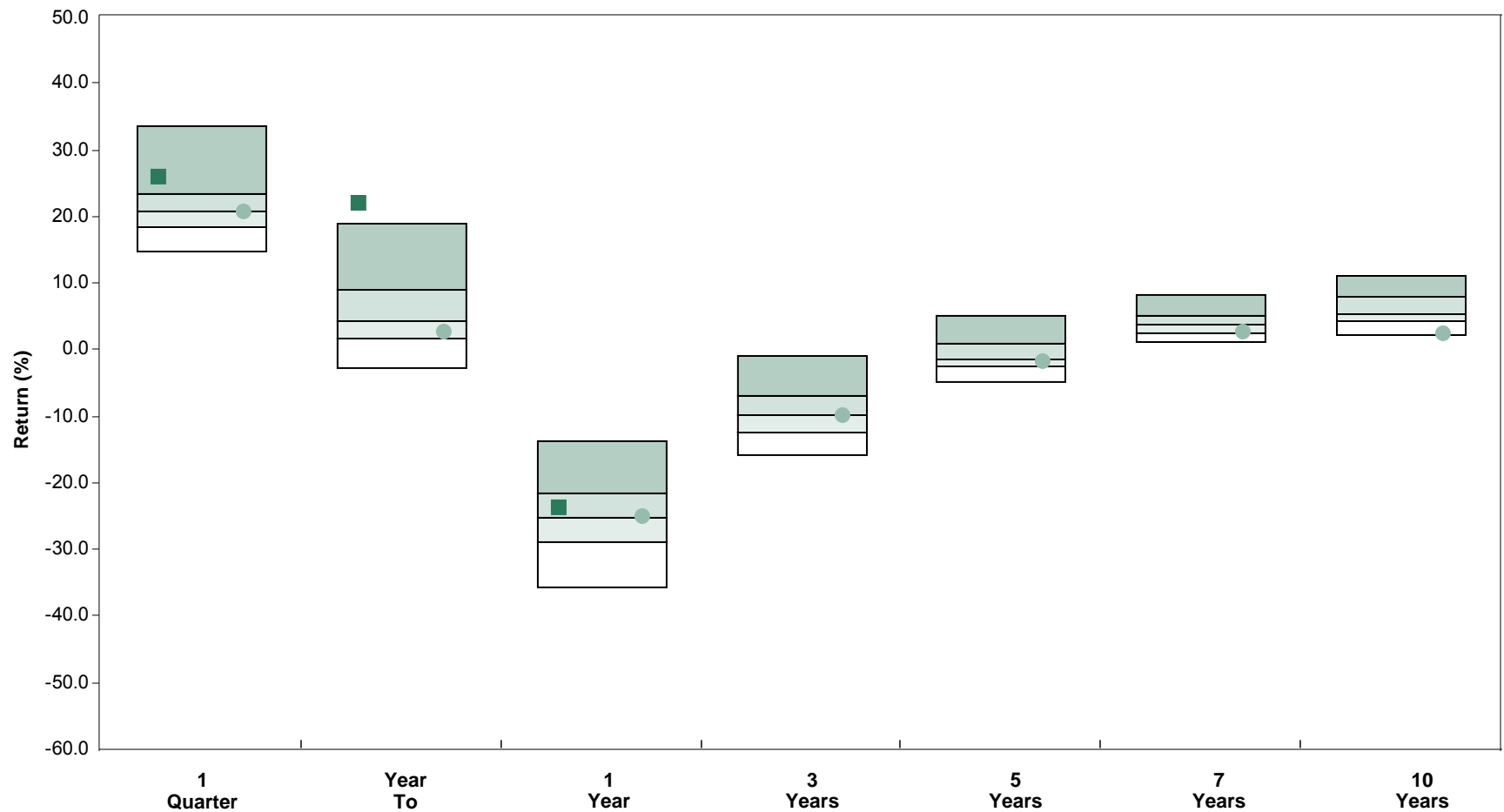
Segments	Market Value (\$)	Allocation (%)
Domestic Equity	5,955,497	100.00

Cash allocation includes accrued income for the entire portfolio.

Performance Bar Chart

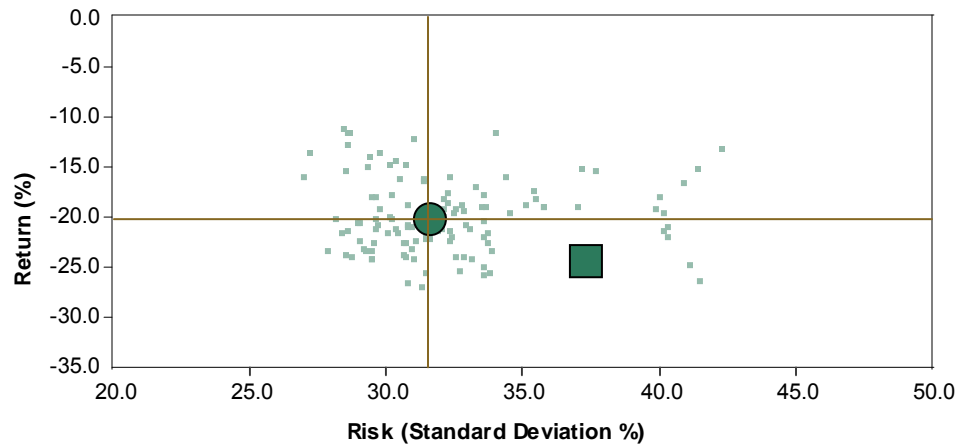


Peer Group Analysis - US Core/Small Cap Equity (SA+CF)



■ MANNING AND NAPIER	25.88 (18)	22.09 (4)	-23.73 (35)	N/A	N/A	N/A	N/A
● Russell 2000 Index	20.69 (54)	2.64 (69)	-25.01 (47)	-9.89 (50)	-1.71 (58)	2.68 (66)	2.38 (92)
5th Percentile	33.52	18.86	-13.68	-0.91	4.93	8.11	11.16
1st Quartile	23.42	8.86	-21.57	-7.04	0.91	5.11	7.97
Median	20.84	4.38	-25.34	-9.92	-1.42	3.72	5.38
3rd Quartile	18.46	1.62	-28.94	-12.38	-2.64	2.48	4.22
95th Percentile	14.67	-2.73	-35.69	-15.92	-5.00	1.02	2.15

Peer Group Scattergram (04/01/08 to 06/30/09)

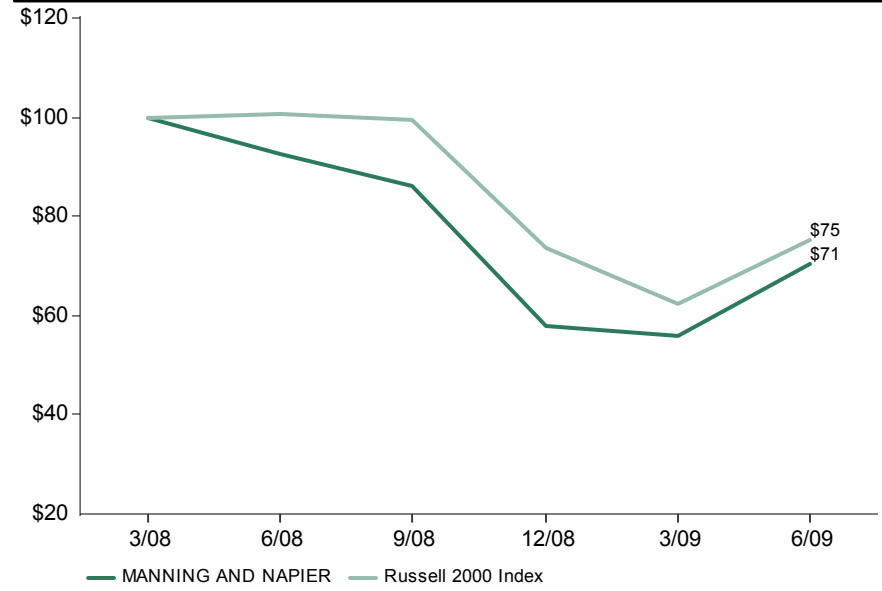


	Return	Standard Deviation
MANNING AND NAPIER	-24.32	37.31
Russell 2000 Index	-20.20	31.59
Median	-20.13	31.52

3 & 5 Year Up / Down Market Capture

Insufficient data.

Growth of a Dollar (04/01/08 to 06/30/09)



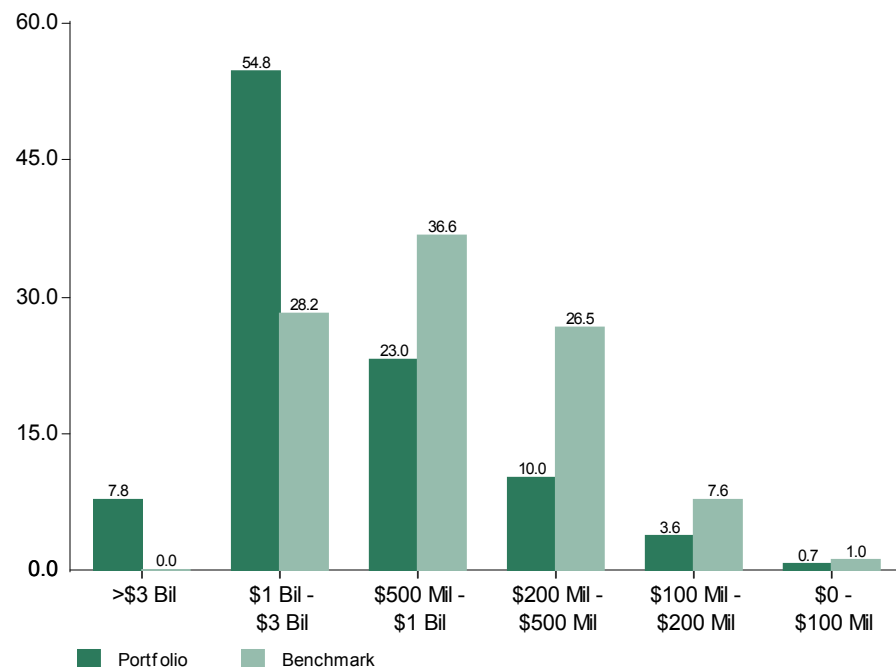
Style Analysis

Insufficient data.

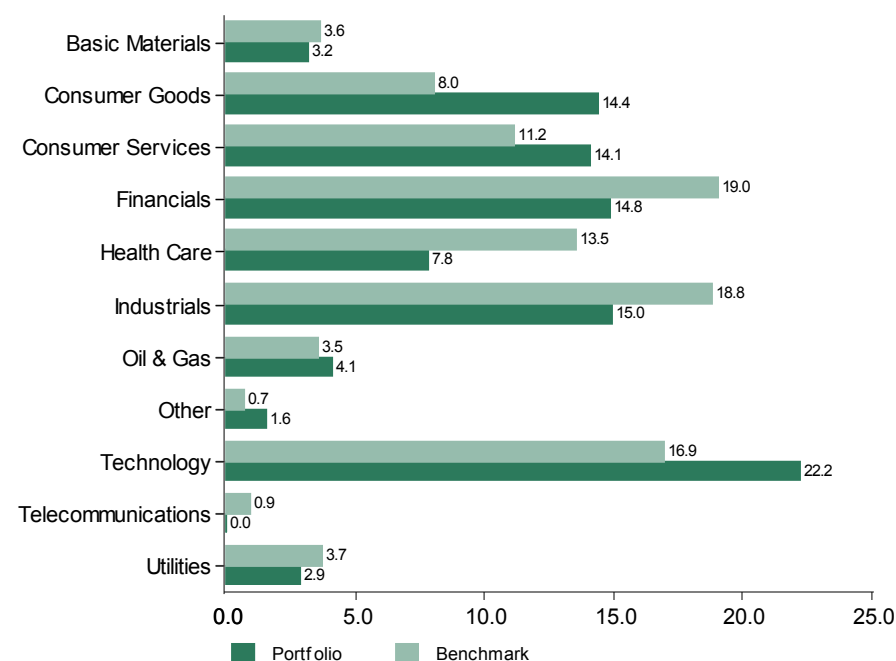
Top Ten Equity Holdings	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
BLUE COAT SYSTEMS, INC.	3.88	0.09	3.79	37.72
CALGON CARBON CORPORATION	3.17	0.10	3.07	-1.98
ECLIPSYS CORPORATION	3.09	0.13	2.96	75.35
TIBCO SOFTWARE	3.07	0.17	2.90	22.15
PERKINELMER INCORPORATED	3.05	0.00	3.05	36.91
INVERNESS MEDICAL	2.97	0.00	2.97	33.61
DICK'S SPORTING GOODS, INC.	2.89	0.00	2.89	20.53
INFINERA CORPORATION	2.66	0.10	2.55	23.38
ONLINE RESOURCES	2.62	0.02	2.60	48.22
DEAN FOODS CO.	2.61	0.00	2.61	6.14
% of Portfolio	30.01	0.61		

Portfolio Characteristics	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$)	1,553,926,574	763,156,291
Median Mkt. Cap. (\$)	1,257,061,000	320,832,650
Price/Earnings ratio	19.08	14.64
Price/Book ratio	2.30	1.99
5 Yr. EPS Growth Rate (%)	18.72	13.09
Current Yield (%)	2.76	4.35
Beta	-	1.00
Number of Stocks	63	2019

Distribution of Market Capitalization (%)



Sector Weights (%)



Calendar Years	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return
From 03/2008	-	-	-	4,878,022	N/A
To 06/2009	4,878,022	-	1,077,475	5,955,497	22.09

Gain/Loss includes income received and change in accrued income for the period.

Manager Profile

Style: Core Fixed Income

Benchmark: Barclays Aggregate Bond Index

Peer Group: US Broad Market Core Fixed Income (SA + CF)

Inception Date: January 1, 1995

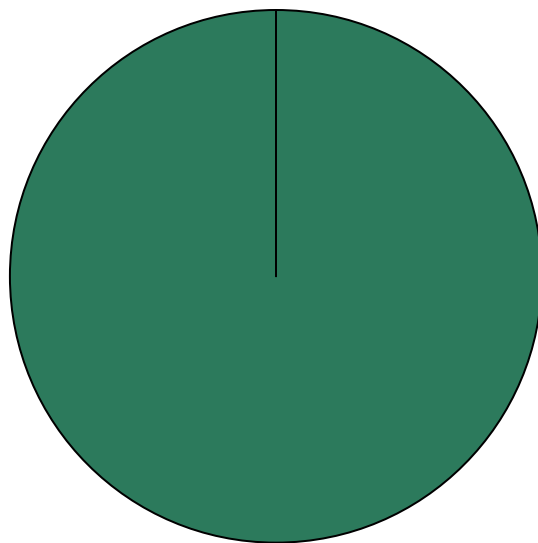
Gain / Loss Summary

	1 Quarter	Year To Date	1 Year
PRINCIPAL BOND AND MORTGAGE			
Beginning Market Value	14,184,177	13,697,529	15,772,301
Net Contributions	-175,881	337,482	-6,563
Fees/Expenses	-676	-1,356	-1,356
Income	-	-	-
Gain/Loss	1,316,393	1,290,359	-440,368
Ending Market Value	15,324,014	15,324,014	15,324,014

Income includes income received and change in accrued income.

Asset Allocation by Segment

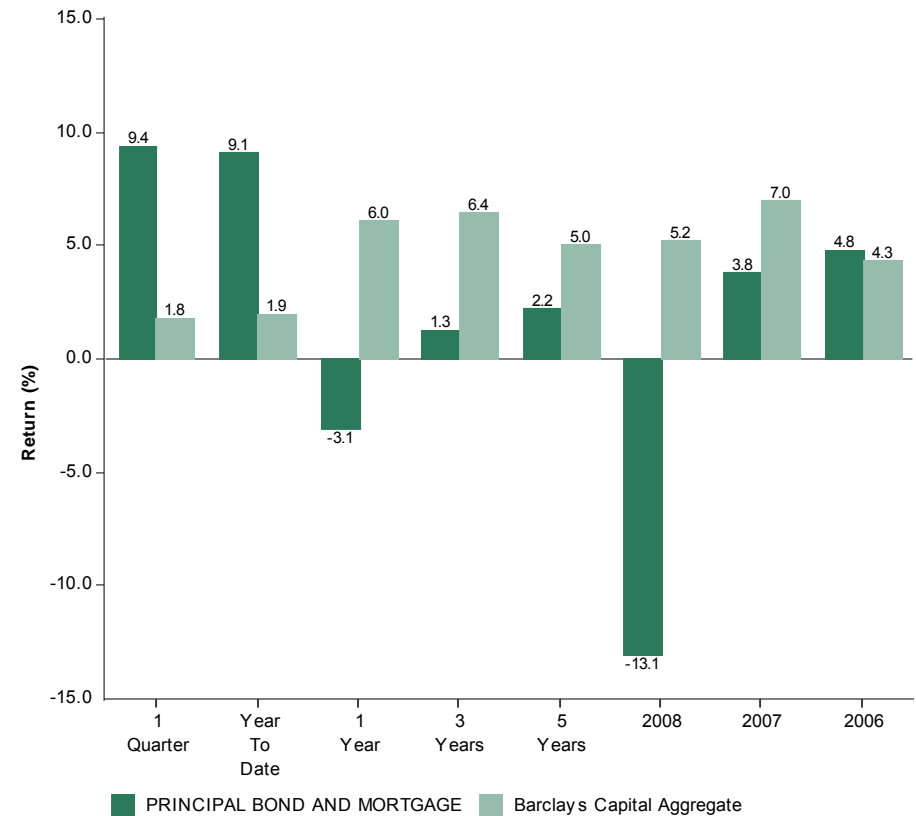
Jun-2009 : \$15,324,014



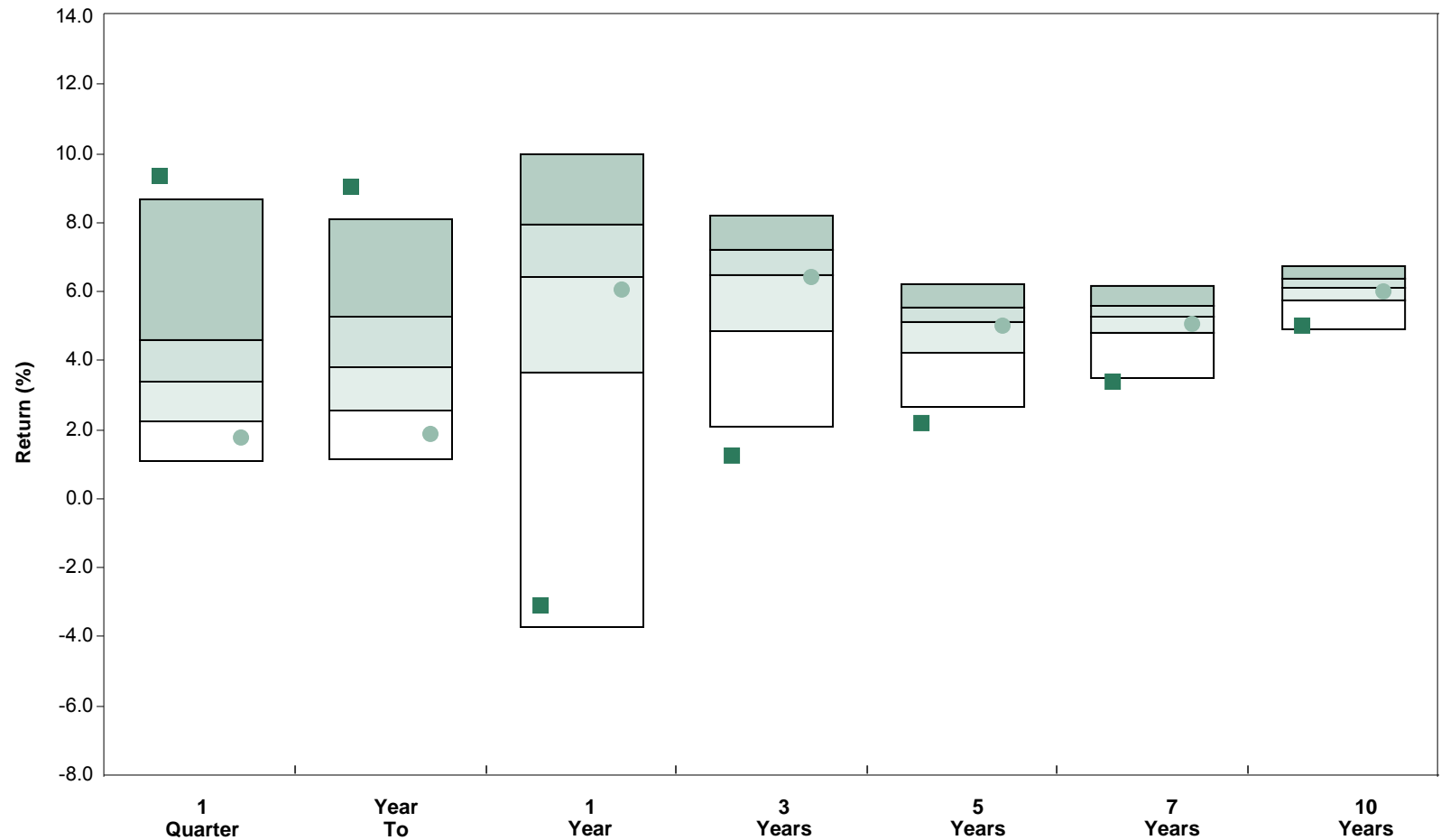
Segments	Market Value (\$)	Allocation (%)
■ Domestic Fixed Income	15,324,014	100.00

Cash allocation includes accrued income for the entire portfolio.

Performance Bar Chart



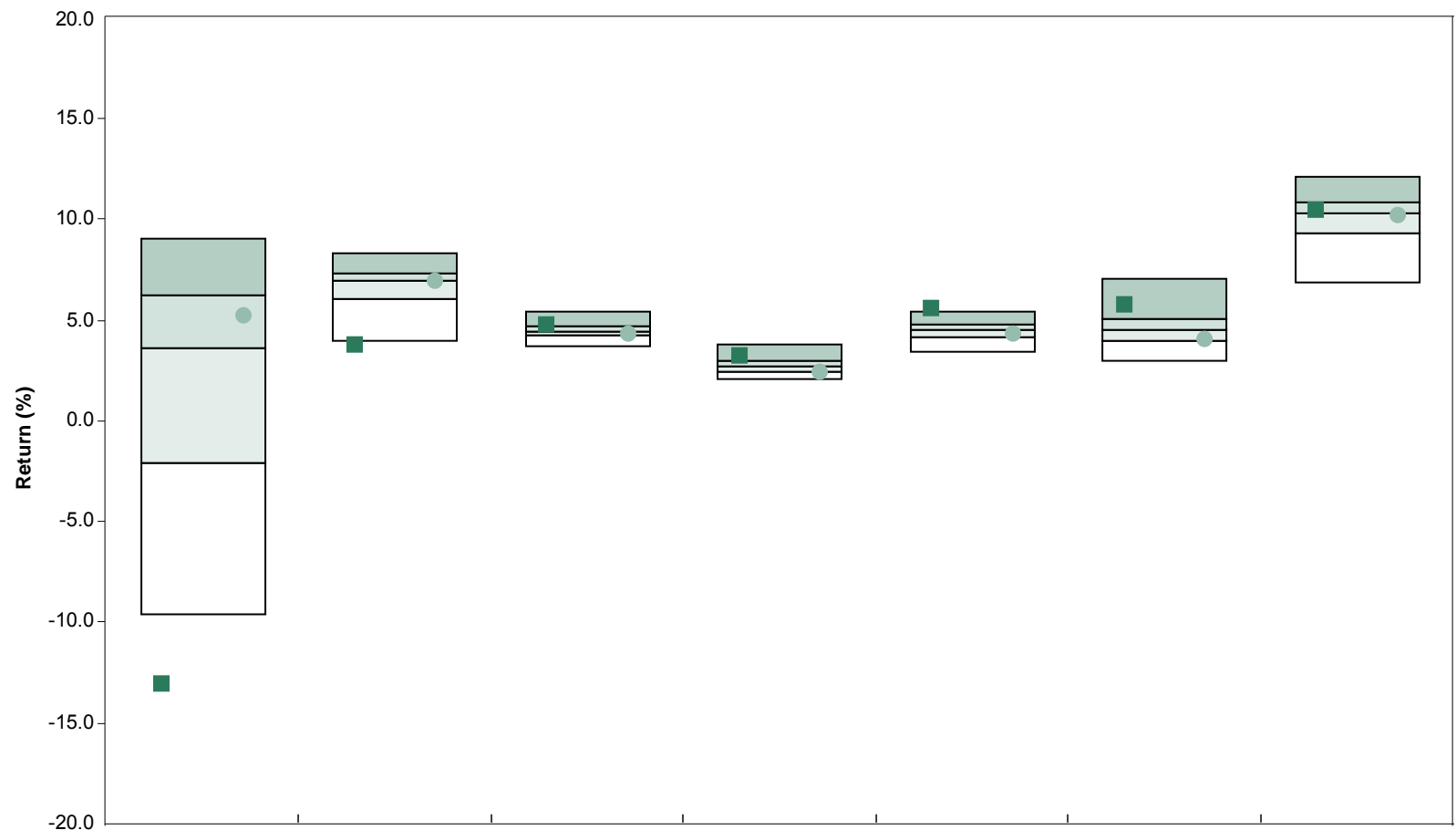
Peer Group Analysis - US Broad Market Core Fixed Income (SA+CF)



■ PRINCIPAL BOND AND MORTGAGE
● Barclays Capital Aggregate

5th Percentile	8.65	8.12	9.96	8.19	6.22	6.14	6.72
1st Quartile	4.60	5.27	7.94	7.21	5.54	5.58	6.35
Median	3.37	3.81	6.42	6.46	5.14	5.27	6.10
3rd Quartile	2.23	2.57	3.64	4.84	4.23	4.78	5.77
95th Percentile	1.11	1.12	-3.70	2.08	2.66	3.51	4.90

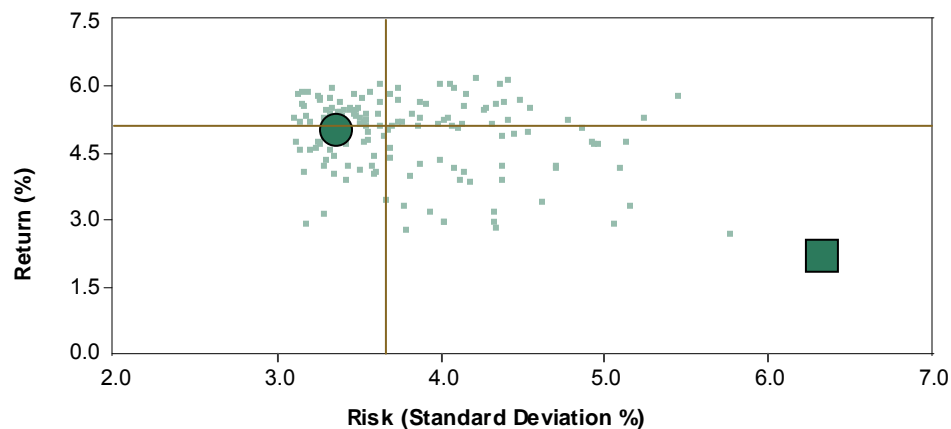
Peer Group Analysis - US Broad Market Core Fixed Income (SA+CF)



■ PRINCIPAL BOND AND MORTGAGE
● Barclays Capital Aggregate

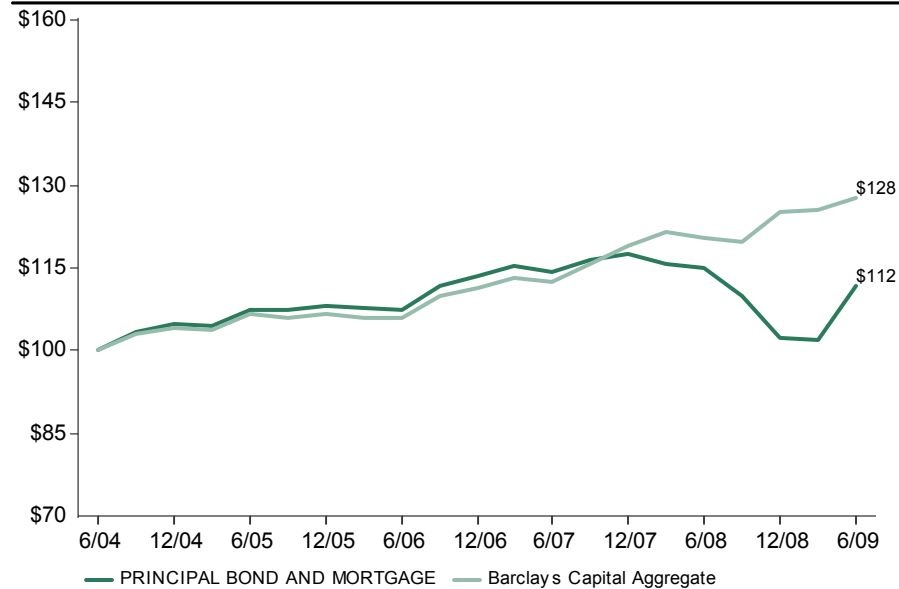
	2008	2007	2006	2005	2004	2003	2002
PRINCIPAL BOND AND MORTGAGE	-13.06 (97)	3.78 (96)	4.79 (18)	3.24 (11)	5.60 (4)	5.76 (14)	10.50 (42)
Barclays Capital Aggregate	5.24 (36)	6.97 (48)	4.34 (67)	2.43 (83)	4.34 (68)	4.11 (69)	10.27 (52)
5th Percentile	9.06	8.30	5.41	3.78	5.42	7.04	12.09
1st Quartile	6.21	7.33	4.71	2.96	4.83	5.10	10.89
Median	3.58	6.93	4.47	2.72	4.51	4.53	10.31
3rd Quartile	-2.08	6.08	4.23	2.47	4.19	3.96	9.29
95th Percentile	-9.55	3.95	3.75	2.07	3.47	3.00	6.88

Peer Group Scattergram (07/01/04 to 06/30/09)



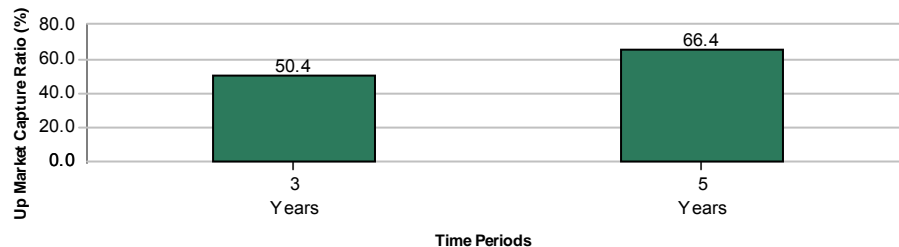
	Return	Standard Deviation
PRINCIPAL BOND AND MORTGAGE	2.21	6.33
Barclays Capital Aggregate	5.02	3.36
Median	5.14	3.66

Growth of a Dollar (07/01/04 to 06/30/09)

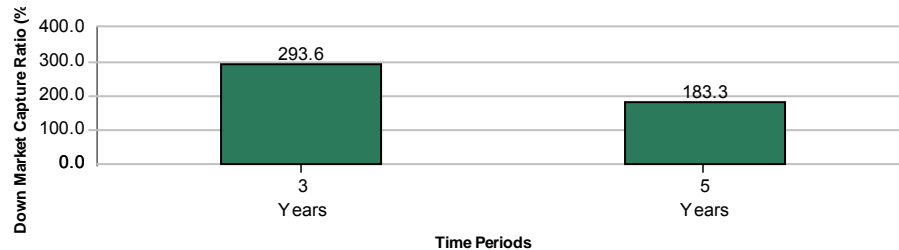


3 & 5 Year Up / Down Market Capture

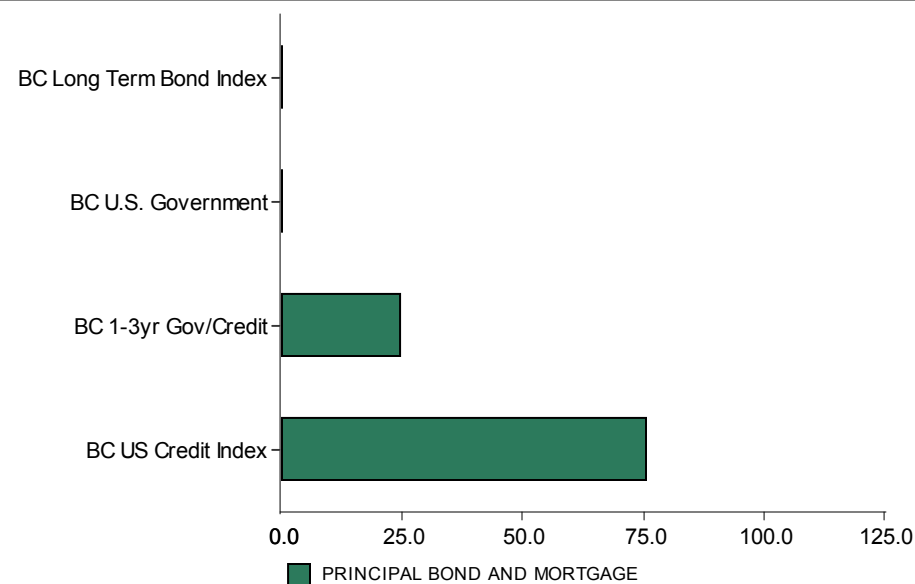
Up Market Capture



Down Market Capture



Style Analysis



Calendar Years	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return
2002	-	-	-	17,707,268	N/A
2003	17,707,268	-	-594,177	17,113,091	5.76
2004	17,113,091	-	1,950,931	19,064,022	5.60
2005	19,064,022	-1,353,584	549,534	18,259,972	3.24
2006	18,259,972	-1,602,868	818,188	17,475,292	4.79
2007	17,475,292	-1,011,042	636,624	17,100,874	3.78
2008	17,100,874	-1,304,056	-2,099,289	13,697,529	-13.06
To 06/2009	13,697,529	336,126	1,290,359	15,324,014	9.06

Gain/Loss includes income received and change in accrued income for the period.

Manager Profile

Style: Real Estate

Benchmark: NCREIF ODCE Equal Weighted

Peer Group: N/A

Inception Date: April 1, 2008

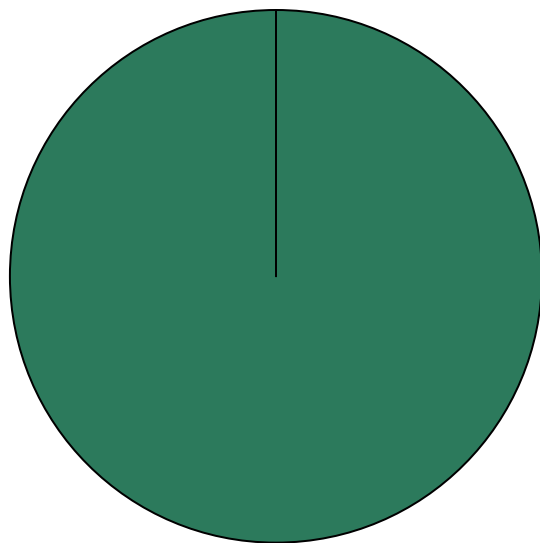
Gain / Loss Summary

	1 Quarter	Year To Date	1 Year
PRUDENTIAL REAL ESTATE INVESTORS			
Beginning Market Value	6,941,220	8,239,906	9,642,387
Net Contributions	-	-	-43,072
Fees/Expenses	-15,039	-35,466	-35,466
Income	124,147	124,147	124,147
Gain/Loss	-1,043,569	-2,321,828	-3,681,237
Ending Market Value	6,006,758	6,006,758	6,006,758

Income includes income received and change in accrued income.

Asset Allocation by Segment

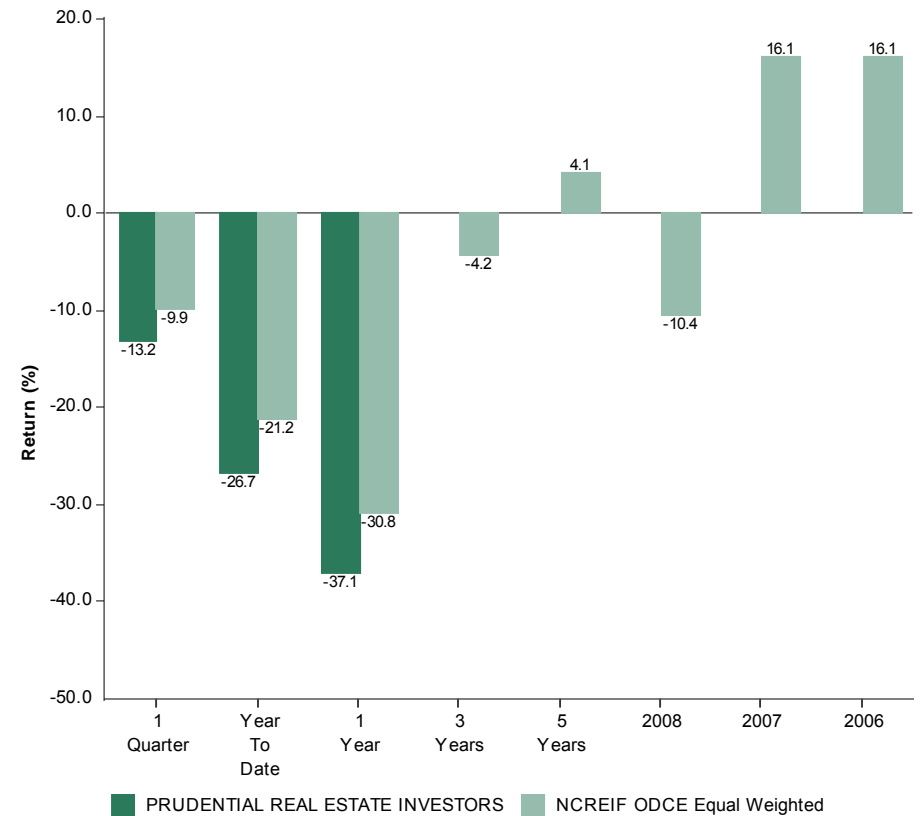
Jun-2009 : \$6,006,758



Segments	Market Value (\$)	Allocation (%)
Real Estate	6,006,758	100.00

Cash allocation includes accrued income for the entire portfolio.

Performance Bar Chart



Calendar Years		Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return
From	03/2008	-	-	-	8,239,906	N/A
To	06/2009	8,239,906	-35,466	-2,197,682	6,006,758	-26.70

Gain/Loss includes income received and change in accrued income for the period.